

ANNUAL REPORT
2020

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Annual Report 2020

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1 To Our

Shareholders

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THERE ARE DEPARTMENT STORES, FASHION HOUSES, AND TEMPLES OF CONSUMERISM – AND THEN THERE IS *LUDWIG BECK*. WHETHER FOR OUR CUSTOMERS, EMPLOYEES, INVESTORS, AND BUSINESS PARTNERS, WE STRIVE TO BE RECOGNIZED AS MUCH FOR OUR HONESTY, *UNIQUENESS*, AND DESIRABILITY AS FOR THE EXCLUSIVE BRANDS WE OFFER.

STYLE HAS A NEW HOME.

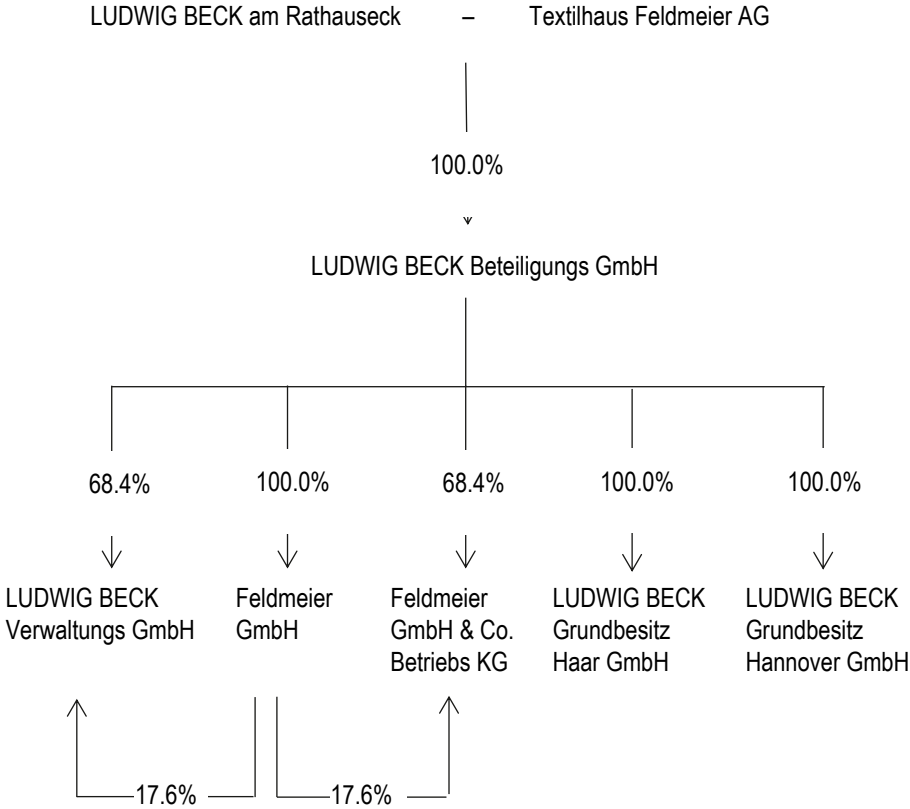
LUDWIG BECK.

Key Figures of the Group

		2020	2019*)	2018*)	2017	2016
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	60.4	95.3	95.5	173.2	177.1
VAT	€m	8.9	15.2	15.2	27.6	28.3
Sales (net)	€m	51.5	80.1	80.3	145.6	148.9
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	20.5	38.6	38.7	69.6	71.3
	%	39.8	48.2	48.1	47.8	47.9
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	€m	4.3	12.9	10.3	10.9	10.3
	%	8.4	16.1	12.8	7.5	6.9
Earnings before interest and taxes (EBIT)	€m	-1.9	7.0	7.6	6.5	6.3
	%	-3.6	8.7	9.5	4.4	4.3
Earnings before taxes (EBT)	€m	-4.3	4.6	6.9	5.6	5.2
	%	-8.3	5.8	8.5	3.8	3.5
Consolidated net profit	€m	-1.7	-13.9	-0.8	3.3	2.9
	%	-3.4	-17.3	-1.0	2.2	1.9
Balance sheet						
Equity	€m	59.6	61.6	75.8	79.4	79.0
Equity ratio	%	32.4	34.8	59.9	60.8	58.9
Return on equity before taxes	%	-7.1%	7.5%	9.1%	7.0%	6.6%
Investments	€m	4.9	1.7	2.5	2.5	5.4
Balance sheet total	€m	183.8	177.2	126.5	130.5	134.0
Personnel						
Employees	People	397	442	455	874	892
Personnel expenses	€m	13.5	17.4	17.4	29.3	30.4
	%	26.3	21.8	21.6	20.2	20.4
Net sales per employee (weighted, average)	€k	194.3	272.4	259.9	253.2	253.2
Share						
Number of shares	m.	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	-0.47	-3.68	-0.22	0.88	0.78
Dividend	€	0.00	0.00	0.00	0.65	0.65
Other details (as of December 31)						
Sales area	sqm	12,400	12,400	12,400	28,600	28,600
Gross sales per square meter	€/sqm	4,862	7,685	7,702	6,056	6,193

*) Continued operations

Group Structure



LUDWIG BECK Executive Board

CHRISTIAN GREINER

CHAIRMAN OF THE BOARD, EXECUTIVE BOARD MEMBER FOR PURCHASING, SALES, AND MARKETING OF LUDWIG BECK AG

In 2004, Christian Greiner developed the Young Fashion concept U1 for Rudolf Wöhr AG in Nuremberg which he managed as a director until the end of 2007. Since 2008, Christian Greiner has been the managing director of INTRO Retail & Media GmbH and co-owner and managing director of the Nuremberg-based Kreativagentur nuts communication GmbH. In 2010, he changed from the Supervisory Board to the Executive Board of LUDWIG BECK AG and is now responsible for Purchasing, Sales and Marketing.

JENS SCHOTT

EXECUTIVE BOARD MEMBER FOR FINANCE, LOGISTICS, AND IT OF LUDWIG BECK AG

Jens Schott specialized in taxes and accounting during his studies in business administration. From 1998 to 2002, he gained valuable experience in a well-known Munich-based auditing and tax consulting company. Jens Schott has been responsible for Group accounting and financial controlling at LUDWIG BECK AG since 2002 and was the head of Group accounting since 2015.

He has been responsible for finance, logistics and IT since September 1, 2019.



From left: Christian Greiner, Jens Schott

PERSONAL THANKS

The Executive Board would like to thank all employees, customers, and business partners of the LUDWIG BECK Group for the commitment and trust shown to our company in 2020.

Supervisory Boards' Report

In the fiscal year 2020, the Supervisory Board of LUDWIG BECK dealt comprehensively with the current development and the strategic goals of the Group. In doing so, it exercised its advisory, controlling, and monitoring functions vis-à-vis the Executive Board with all due diligence. In six meetings, the Supervisory Board discussed issues of corporate planning, risk position, and risk management with the Executive Board.

A key basis for the Supervisory Board's activities are the oral and written reports within the meaning of Section 90 of the German Stock Corporation Act (AktG), which the Executive Board provided both within and outside meetings of the Supervisory Board and its committees. Accordingly, the Executive Board regularly informed the Supervisory Board about all developments in the company and the Group, both orally and in writing. In this way, the Executive Board fully complied with its duties to provide information at all times. No additional or supplementary reports were required.

In particular, the reporting covered the business policy and fundamental issues of corporate planning, the company's profitability, the current business development, internal control systems, compliance, investment, and divestment decisions as well as transactions of primary importance for the profitability and liquidity of LUDWIG BECK AG and the Group. A core issue was also the information and discussion on the actions to mitigate the effects of the COVID-19 pandemic – which led to weeks of closures and a completely changed environment – on the course of business and earnings.

The Supervisory Board was involved in all major strategic corporate decisions. If necessary, it discussed, examined, and approved them. In exercising its supervisory function, the Supervisory Board was able to satisfy itself of the legality and correctness of the corporate management by the Executive Board. This also applies to the performance of the Company and the Group, the organization of which the Supervisory Board discussed with the Executive Board.

The Supervisory Board and the Executive Board were also in constant communication regarding the evaluation of the company's opportunities and risks. The Executive Board informed the Supervisory Board of the possible or actual risk scenarios for which solutions were found in joint consultations. At the same time, opportunities serving the company's economic objectives were examined.

There were no objections to the work of the Executive Board. Further details of the Supervisory Board's activities are described below.

SIX MEETINGS IN 2020

In the 2020 fiscal year, the Supervisory Board held four ordinary and two extraordinary meetings, which were always attended by all acting Supervisory Board members. The Executive Board also attended these meetings, except for the extraordinary meeting on May 29, 2020.

These discussions focused on current business developments, corporate strategy, and measures for their implementation in the Company and its subsidiaries.

Due to the COVID-19 pandemic and the resulting lockdown, the balance sheet meeting pursuant to § 171 (1) of the German Joint Stock Corporation Act (AktG) on March 26, 2020, was held as a video conference. The auditor also participated in this virtual meeting. In the course of this meeting, the annual financial statements and the consolidated financial statements prepared by the Executive Board were approved. The annual financial statements of LUDWIG BECK AG are thus adopted. The Executive Board presented the Supervisory Board a medium-term forecast on a "normal basis". Furthermore, the proposed resolutions on the items on the agenda of the Annual General Meeting 2020 were approved.

An extraordinary meeting on May 29, 2020, was also held as a video conference. The topic of this meeting was the Annual General Meeting 2020, which was originally planned on May 18, 2020, as a face-to-face meeting but was not feasible due to the COVID-19 pandemic. Therefore, the Executive Board decided to convene the Annual General Meeting on July 28, 2020, as a virtual Annual General Meeting. The Supervisory Board approved this by resolution on May 29, 2020 and passed its proposed resolutions to the Annual General Meeting.

Following the Annual General Meeting on July 28, 2020, a meeting of the Supervisory Board was held at which Dr Bruno Sälzer was elected as the new Chairman of the Supervisory Board. At this meeting, Mr Josef Schmid was also elected as a new member of the audit committee to replace Dr Stremme, who had resigned. The Supervisory Board also dealt with the current development in the 2020 fiscal year and the future corporate strategy - especially with regard to the coronavirus pandemic and its consequences.

Until the close of the Annual General Meeting on July 28, 2020, the Supervisory Board was composed as follows: Dr Steffen Stremme (Chairman), Sandra Pabst (deputy Chairwoman), Clarissa Käfer and Dr Bruno Sälzer as shareholder representatives and Michael Eckhoff and Michael Neumaier as employee representatives. Dr Moritz Frhr. v. Hutten z. Stolzenberg is a substitute member of the shareholder representatives.

The term of office of the Chairman of the Supervisory Board, Dr Steffen Stremme, ended at the close of the Annual General Meeting on July 28, 2020. He thus resigned from the Supervisory Board at the close of the Annual General Meeting. At the Annual General Meeting that same day, Josef Schmid was elected as a new member of the Supervisory Board as a shareholder representative.

Since the close of the Annual General Meeting on July 28, 2020, the Supervisory Board is composed of the members Dr Bruno Sälzer (Chairman), Sandra Pabst (deputy Chairwoman), Clarissa Käfer and Josef Schmid as shareholder representatives and the two employee representatives Michael Eckhoff and Michael Neumaier. Dr Moritz Frhr. v. Hutten z. Stolzenberg is a substitute member of the shareholder representatives.

There were no personnel changes in the Executive Board of LUDWIG BECK AG in the 2020 fiscal year.

Another ordinary Supervisory Board meeting was held on September 15, 2020, where the Supervisory Board dealt with, among other things, the current business development in the first eight months of the 2020 fiscal year, which was marked by the effects of the coronavirus pandemic. In addition, the declaration of compliance with the German Corporate Governance Code was adopted on September 15, 2020. Another subject of this meeting was the topic of compliance and the revision of the rules of procedure for the Supervisory Board and Executive Board. The latter was necessary due to the amendments to the German Joint Stock Corporation Act by the ARUG II and the new version of the German Corporate Governance Code. Finally, the Supervisory Board decided to appoint Mr Greiner as Executive Board member for another three years with effect from January 1, 2021, and to appoint him as Chairman of the Executive Board. Furthermore, the Supervisory Board decided to extend Mr Greiner's Executive Board employment contract by three years.

On November 18, 2020, an extraordinary Supervisory Board meeting was held via video conference. In addition to the regular oral and written information provided by the Executive Board, a general update was given to the entire board. In particular, the sale of the Haar property was discussed.

In the last meeting of the year, on December 18, 2020, which took place virtually due to the renewed lockdown, the business development in the fourth quarter and the Executive Board's planning for the 2021 fiscal year were among the topics discussed. The situation caused by the renewed lockdown - which stopped the important Christmas business - and the measures implemented and planned to mitigate the effects on the company were discussed in detail.

Potential conflicts of interest are disclosed to the Supervisory Board by the members of the Supervisory Board and usually lead to the non-participation of the affected Supervisory Board member in the discussion and the vote on the agenda item causing the conflict of interest.

Outside of the aforementioned meetings, the Supervisory Board, in particular the Chairman of the Supervisory Board, maintained regular contact with the members of the Executive Board and was informed by the Executive Board about current business developments.

The Supervisory Board has formed an Audit Committee and an Executive and Personnel Committee.

AUDIT COMMITTEE

The Audit Committee held two virtual meetings in the 2020 reporting year, which were each attended by all committee members. The Chairwoman of the committee also coordinated with the auditors on the audit of the annual financial statements in three additional meetings.

The Audit Committee dealt primarily with the audit of the separate and consolidated financial statements and the management report, the monitoring of the Company's accounting process, and the effectiveness of the internal control and risk management systems. In the presence of the auditor, the committee discussed the audit results and recommended to the Supervisory Board to approve the annual accounts and the consolidated financial statements for the 2020 fiscal year and the Executive Board's proposal to the 2020 Annual General Meeting for the appropriation of the balance sheet profit.

The committee also prepared the appointment of the auditor for the 2020 fiscal year and addressed the auditor's audit planning and the focal points of the audit. The committee was informed about the so-called non-audit services of the auditor and examined the Executive Board's dependency report. The committee obtained the declaration of independence from the auditing company.

The committee dealt with the selection of the auditor and recommends to the Supervisory Board to propose BTU Treuhand GmbH, Wirtschaftsprüfungsgesellschaft, Munich, to the Annual General Meeting as the auditor for the 2020 fiscal year.

Until 28 July 2020, the Audit Committee was composed of Clarissa Käfer (Chairwoman), Dr Steffen Stremme and Dr Bruno Sälzer. In the Supervisory Board meeting following the Annual General Meeting on July 28, 2020, Clarissa Käfer and Dr Bruno Sälzer were each confirmed in their positions. Josef Schmid was elected to succeed Dr Stremme as a member of the Audit Committee.

MANAGEMENT AND PERSONNEL COMMITTEE

The Management and Personnel Committee met on August 20, 2020, with the participation of all committee members via video conference.

The committee recommended to the Supervisory Board the extension of the term of office and employment contract of Mr Christian Greiner. The respective resolution was passed at the Supervisory Board meeting on September 15, 2020. The implementation of the decision was carried out by the Chairman of the Executive and Personnel Committee.

The aim is to ensure continuity and a long-term perspective for the house.

Until July 28, 2020, the Management and Personnel Committee consisted of the members Dr Steffen Stremme (Chairman), Sandra Pabst and Clarissa Käfer.

Since the departure of Dr Stremme from the Supervisory Board and the election of Dr Sälzer as Chairman of the Supervisory Board on July 28, 2020, Dr Bruno Sälzer has also been Chairman of the Management and Personnel Committee by virtue of his office as Chairman of the Supervisory Board. Sandra Pabst and Clarissa Käfer continued to be members of the Management and Personnel Committee.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION ON CORPORATE GOVERNANCE

The Supervisory Board is committed to the standards of good and responsible corporate governance set out in the German Corporate Governance Code. For this reason, the Audit Committee obtained a declaration from the auditor through its Chairwoman, stating that there are no business, financial, personal, or other relationships between the auditor and the Company that could give rise to doubts about its independence. The auditor submitted this declaration of independence to the Chairwoman of the Audit Committee by letter dated March 16, 2020.

It also relates to consultancy services which the auditor provided to the Company in the past fiscal year or which were agreed for the current fiscal year.

The declaration of compliance adopted on September 15, 2020, in accordance with section 161 of the German Joint Stock Corporation Act (AktG) was published on the Company's website under the Investor Relations menu item in the Corporate Governance section and is included in the Corporate Governance Statement also made available on the Company's website. On March 24, 2021, the Supervisory Board, together with the Executive Board, issued the Corporate Governance Statement and made it publicly available on the Company's website.

CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements and consolidated financial statements as of December 31, 2020, as well as the management report and the Group management report, including the accounting records, were audited by BTU Treuhand GmbH, the appointed auditor, who issued an auditor's opinion without restriction.

The members of the Supervisory Board were provided with all financial statement documents and audit reports in good time before the Supervisory Board's financial statements meeting on March 24, 2021, and these were carefully examined by the Supervisory Board. These documents were discussed in detail by the Audit Committee and the entire Supervisory Board in the presence of the auditor. The auditor did not identify any weaknesses in the internal control and risk management system concerning the accounting process. The Supervisory Board was able to satisfy itself that the auditor's report met the legal requirements. At the above-mentioned meeting, the auditor also explained the scope, focal points, and costs of the audit and provided information about its impartiality and the services it provided in addition to the audit.

The Supervisory Board approved the results of the auditor's audit at the Supervisory Board meeting. The Supervisory Board had already reviewed the annual financial statements and the consolidated financial statements, the management report, and the Group management report before the meeting. The statements made in the management report and the Group management report are consistent with the assessments of the Supervisory Board. Following the final results of its own examination, the Supervisory Board had no objections to the annual financial statements, the consolidated financial statements, the management report, and the Group management report. The Supervisory Board unanimously approved the annual financial statements of LUDWIG BECK AG prepared by the Executive Board; they are thus adopted. It also approved the Group consolidated financial statement.

The Supervisory Board also examined the Managements Board's report on relations with affiliated companies for the past fiscal year ("Dependency Report") in accordance with Section 312 AktG. In this report the Executive Board issued the following concluding statement:

"According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies, or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable consideration in each individual case and did not suffer any disadvantage as a result of measures being taken or not taken."

BTU Treuhand GmbH, as the company's auditor for the 2020 fiscal year audited the Dependency Report and issued the following auditor's opinion on March 17, 2021:

"Following our audit and assessment in accordance with professional standards, we confirm that:

1. the facts and circumstances presented in the report are correct,
2. in the reported legal transactions, the company's performance was not disproportionate or disadvantages were balanced,
3. are no circumstances regarding the measures mentioned in the report which would require a significantly different approach than the one taken by the Executive Board."

The Executive Board's Dependency Report and the Auditor's Report were available to the Supervisory Board. In addition, it discussed the Audit report with the auditor. In doing so, it was able to satisfy itself that, in particular, all legal transactions and measures were fully captured. No concerns arose from the auditor's Audit Report. On this

basis, the Supervisory Board approved the results of the auditors' examination. Following the conclusions of its own analyses, the Supervisory Board raised no objections to the Executive Board's conclusive statement regarding relationships with associated companies.

PERSONAL THANKS

The Supervisory Board expresses its gratitude to the Executive Board, the Works Council, and all employees of LUDWIG BECK AG and its subsidiaries for their achievements in 2020 as well as their great personal commitment. All the more so as everything had to take place under difficult conditions. The Supervisory Board would also like to take this opportunity to thank our customers for their loyalty to LUDWIG BECK and our business partners for their trust.

Munich, March 2021

Dr Bruno Sälzer, Chairman of the Supervisory Board

Share

EQUITY MARKETS IN THE YEAR 2020

It was a hopeful start to the 2020 stock market year. In February, the Dax reached a new high, despite a weakening economy. But at the beginning of March, the carefree mood came to an end. By March 23, the MSCI World had lost nearly 30 per cent and the Nasdaq-100 nearly 16 per cent versus the beginning of the year. Public life and global trade were brought to a standstill by the lockdowns. It was the virtual world that benefited most from this blow. It was fascinating to observe how fast digital companies switched from crash to rally. The capital markets were on the brink of an abyss. The coronavirus pandemic could have caused the crash of the century. That this did not happen was mainly thanks to the central banks. In particular, the US Federal Reserve supplied extensive liquidity and bought government bonds and corporate bonds on a historically unprecedented scale, including bonds with poor credit ratings. News of the Wirecard bankruptcy burst in the middle of the digital companies' stock market rally. The Dax hopeful Wirecard turned out to be a fraud. But even this did not irritate the market for more than a brief moment. At the end of 2020, the Dax topped the February record after what was probably the fastest recovery in its history. If one were only to compare the dates, 2020 would appear to be a solid, low-stress year for stock markets: on December 31, 2020, the Dax closed at 13,718.78 points. The most important German stock index has thus gained around 4 per cent compared to the beginning of the year.

LUDWIG BECK SHARE

Share data	
ISIN	DE0005199905
WKN	519990
Ticker symbol	ECK
Industry	Retail
Segment	Prime Standard
Number of shares	3,695,000
Market capitalisation per December 31, 2020	€ 90.9mn
Stock exchange	Frankfurt/M., Stuttgart, Munich, Düsseldorf, Berlin/Bremen, Hamburg, XETRA
Price year-end (12/31/2020)	€ 24.60
Price high (23/06/2020)	€ 29.60
Price low (12/16/2020)	€ 22.80
Designated sponsor	DZ Bank

LUDWIG BECK shares with negative development

On the electronic trading system XETRA, the shares of LUDWIG BECK AG opened in 2020 with a price of €27.60 and closed the year at €24.60. The loss is due to the COVID-19 pandemic and its impact on sales and earnings. On June 23, the LUDWIG BECK AG shares reached the year high price of €29.60 - the low price was €22.80 on December 16.

Earnings per share

LUDWIG BECK closed 2020 with negative earnings per share of € -0.47 (previous year: € -3.68). Earnings per share are composed of losses from continued operations of € -0.47 (previous year: € 0.93) and a result from discontinued operations of € 0.00 (previous year: € -4.61).

Dividend

In view of the impact of the COVID-19 pandemic and the resulting significant economic restrictions and revenue losses of approximately minus 40% compared to the previous year, the Executive Board and Supervisory Board will not propose the distribution of a dividend for the 2020 fiscal year at the Annual General Meeting in May 2021. This was already announced at the virtual Annual General

Meeting in July 2020 following the cuts due to the lockdown in the 1st quarter of 2020. The net loss for the 2020 fiscal year was € -10.9mn. The loss was fully offset by withdrawals from the revenue reserves of LUDWIG BECK AG. The 2020 balance sheet profit of LUDWIG BECK AG thus amounted to € 0.

Shareholder structure

According to the latest disclosures, the current shareholder structure of LUDWIG BECK AG is as follows: During the 2020 reporting year, INTRO-Verwaltungs GmbH was the largest individual shareholder with a shareholding of 49.2%, however, it sold 24.0% of its shares shortly before the year-end. INTRO-Verwaltungs GmbH now holds 25.2% of the shares. The new shareholder is BG Heppenheim Grundstücks GmbH with 24.4% of the shares. Hans Rudolf Wöhrl Verwaltungs GmbH continues to hold 25.7% of the shares. OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG holds 5.0% and Rheintex Verwaltungs AG 3.0% of the shares in LUDWIG BECK AG. As voting rights are only reported after reaching certain thresholds, the company's free float can only be estimated and thus is approximately 16.7%.

The publications on the aforementioned events are available online in the Investor Relations section at <http://kaufhaus.ludwigbeck.de>. This menu point also offers comprehensive information on the Group's corporate strategy, continuous reports, Corporate News, and analyst recommendations. An archive of Annual Reports is provided, dating back to the year 2000. Company events and comments are communicated in the shareholder newsletter. Furthermore, the Investor Relations team is always available for direct contact.

The company's Financial Calendar for 2021 can be found on page 76 of this Annual Report as well as online under the section Investor Relations/Corporate Events/Financial Calendar.

Investor Relations

As a Prime Standard-listed company, LUDWIG BECK is committed to the rules of fair disclosure, which concern timeliness, continuity, and equality of treatment in information policy. Regular dialogue with investors, analysts, and the press are a matter of course for the company. Interested parties get up-to-date information on the Company's activities and projects.

LUDWIG BECK's reporting is bilingual and linked to fixed dates, comprising, for instance the balance sheet press conference and the analysts' conference in March, where the management of LUDWIG BECK presents the annual report for the past fiscal year. In addition, LUDWIG BECK publishes quarterly reports for the first and the third quarter of the year and, accompanied by a corporate news release, a Group interim report for the second quarter and the first six months of the year.

2 Consolidated Financial Statements

& Consolidated Notes

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Consolidated Balance Sheet

Consolidated balance sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as per December 31, 2020, according to IASB provisions

Assets		12/31/2020	12/31/2019
	Notes	€k	€k
A. Long-term assets			
I. Intangible assets	(1)	4,541	4,446
II. Property, plant, and equipment	(1)	150,043	157,136
III. Other assets	(2)	143	143
IV. Deferred taxes	(10)	3,765	0
Total long-term assets		158,493	161,726
B. Short-term assets			
I. Inventories	(3)	12,045	12,331
II. Receivables and other assets	(4)	1,997	2,543
III. Cash and cash equivalents	(5)	11,222	639
Total short-term assets		25,265	15,514
		183,757	177,239
Liabilities			
	Notes	€k	€k
A. Shareholders' equity			
I. Subscribed capital	(6)	9,446	9,446
II. Capital reserves	(6)	3,459	3,459
III. Accumulated profit	(6)	47,605	49,541
IV. Other equity components	(6)	-915	-805
Total shareholders' equity		59,595	61,641
B. Long-term liabilities			
I. Financial liabilities	(9)	88,366	90,172
II. Accruals	(8)	2,851	2,897
III. Deferred taxes	(10)	328	442
Total long-term liabilities		92,152	93,511
C. Short-term liabilities			
I. Financial liabilities	(9)	26,684	16,570
II. Trade liabilities	(9)	831	1,058
III. Tax liabilities	(9)	858	29
IV. Other liabilities	(9)	3,245	4,431
Total short-term liabilities		31,618	22,088
Total debt (B. – C.)		124,163	115,599
		183,757	177,239

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2020 – December 31, 2020, according to IASB provisions

	Notes	1/1/2020 – 12/31/2020		1/1/2019 – 12/31/2019	
		€k	€k	€k	€k
1. Sales revenue	(11)				
– Gross sales		60,365		95,272	
– less VAT		8,876		15,195	
– Net sales			51,490		80,077
2. Other own work capitalized	(12)		47		39
3. Other operating income	(13)		6,842		3,752
			58,378		83,869
4. Cost of materials	(14)	30,974		41,483	
5. Personnel expenses	(15)	13,523		17,445	
6. Depreciation	(16)	6,206		5,930	
7. Other operating expenses	(17)	9,554	60,256	12,051	76,909
8. EBIT			-1,878		6,959
9. Financial result	(18)		-2,379		-2,328
– thereof financial expenses: € 2,460k (previous year: € 2,410k)					
10. Earnings before taxes on income			-4,257		4,631
11. Taxes on income	(19)		-2,521		1,202
12. Earnings after taxes from continued operations			-1,737		3,429
13. Earnings after taxes from discontinued operations	(20)		0		-17,018
14. Consolidated net income			-1,737		-13,590
15. Expenditures and income entered directly into equity	(21)				
15a. Components which cannot be reclassified in the income statement					
Actuarial profits (+) / losses (-) from pension commitments			-164		-405
15b. Deferred taxes on expenditures and income entered directly into equity (expenditure (+) / income (-))			-54		-133
Total expenditures and income entered directly into equity			-110		-272
16. Consolidated comprehensive income			-1,847		-13,862
Diluted and undiluted earnings per share in €	(22)		-0.47		-3.68
thereof from continued operations per share in €			-0.47		0.93
thereof from discontinued operations per share in €			0.00		-4.61
Average number of outstanding shares in thousands			3,695		3,695

*) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" had to be applied for the 2019 financial year following the sale of all WORMLAND shares. Accordingly, all revenues, income, and expenses were eliminated from the individual items of the consolidated statement of comprehensive income and reported as a single amount in the separate line "Earnings after taxes from discontinued operations" (IFRS 5.33).

Consolidated Equity Statement

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2020 – December 31, 2020

	Subscribed Capital	Capital reserve	Accumulated profit	Other equity components *)	Total
	(6)	(6)	(6)	(6)	
	€k	€k	€k	€k	€k
As per 1/1/2020	9,446	3,459	49,541	-805	61,641
Consolidated net income	0	0	-1,737	0	-1,737
Dividend payments	0	0	-199	0	-199
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-110	-110
As per 12/31/2020	9,446	3,459	47,605	-915	59,595

Consolidated equity statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2019 – December 31, 2019

	Subscribed Capital	Capital reserve	Accumulated profit	Other equity components *)	Total
	(6)	(6)	(6)	(6)	
	€k	€k	€k	€k	€k
As per 1/1/2019	9,446	3,459	63,380	-533	75,751
Consolidated net income	0	0	-13,590	0	-13,590
Dividend payments	0	0	-249	0	-249
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-272	-272
As per 12/31/2019	9,446	3,459	49,541	-805	61,641

*) Other equity components mainly result from actuarial profits and losses, which in the future won't be reclassified in the income statement.

Consolidated Cash Flow Statement

Consolidated cash flow statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2020 – December 31, 2020, according to IASB provisions

	1/1/2020 – 12/31/2020	1/1/2019 – 12/31/2019
	€k	€k
Earnings before taxes on income	-4,257	4,631
Adjustments for:		
– Depreciation	6,206	5,930
– Interest income	-80	-82
– Interest expenses	2,459	2,410
– Profits/losses (-/+) from the disposal of fixed assets	-3,865	39
Operating result before changes to net working capital	463	12,928
<i>Increase/decrease (-/+) in assets:</i>		
Inventories	286	141
Trade receivables	292	381
Other assets	169	-4
<i>Increase/decrease (-/+) in liabilities:</i>		
Trade liabilities	-227	-351
Other liabilities	-1,186	-474
<i>Increase/decrease (-/+) in accruals:</i>		
Accruals	-227	-217
Cash flow from operating activities (before interest and tax payments)	-431	12,404
Interest paid	-2,424	-2,353
Interest received	0	1
Disbursement to other shareholders	-199	-249
Taxes on income paid	-448	-1,929
A. Cash flow from operating activities	-3,502	7,874
Disbursements for investments in intangible assets and fixed assets	-2,421	-1,666
Proceeds from disposals of fixed assets	10,051	0
Seller contribution WORMLAND	0	-11,500
Cash outflow from deconsolidation of WORMLAND	0	-843
Proceeds from the disposal of plan assets	104	104
B. Cash flow from investing activities	7,734	-13,905
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance comp.	9,165	-1,683
Acceptance/repayment (+/-) of short-term bank loans and loans from insurance comp.	-116	9,309
Acceptance/repayment (+/-) of other loans	-28	-52
Repayment of finance leases	-2,671	-2,581
C. Cash flow from financing activities	6,350	4,993
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	10,583	-1,038
Cash and cash equivalents at the beginning of the fiscal year	639	1,678
Cash and cash equivalents at the end of the fiscal year	11,222	639

Consolidated Notes

Consolidated notes to the IFRS-compliant consolidated financial statements for the fiscal year 2020 of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich

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A. GENERAL DATA

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich (hereinafter also referred to as LUDWIG BECK AG), the parent company of the LUDWIG BECK Group, was founded on August 13, 1992, by means of transformation from the company LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH, Munich. The registered seat of LUDWIG BECK AG is in 80331 Munich, Marienplatz 11.

LUDWIG BECK AG is listed in the commercial register of the Local Court of Munich, Germany, under registration number HR B No. 100213.

The object of the LUDWIG BECK Group is the sale of all kinds of goods, especially the wholesale and retail of textiles, clothing, hardware, and other merchandise, also by mail order or online, as well as the acquisition, holding, and management of investments in unincorporated and incorporated companies, especially companies that own real estate or which themselves hold interests in such companies.

The consolidated financial statements of LUDWIG BECK AG as of December 31, 2020, have been prepared per International Financial Reporting Standards (concisely: IFRS) / International Accounting Standards (concisely: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (concisely: IFRIC) / Standing Interpretations Committee (concisely: SIC). All of the aforementioned standards and interpretations which were mandatorily applicable to the fiscal year 2020 were complied with. In line with Section 315e German Commercial Code (HGB), certain information, including the consolidated management report, was added to the consolidated financial statements.

The consolidated balance sheet of LUDWIG BECK AG was drawn up as per the balance sheet dates December 31, 2020, and December 31, 2019. The relevant consolidated statement of comprehensive income, the consolidated equity statement, the consolidated cash flow statement, and the notes to the consolidated financial statements cover the periods from January 1, 2020, to December 31, 2020, and from January 1, 2019, to December 31, 2019. The balance sheet dates of the consolidated companies are identical.

The amounts contained in the consolidated financial statements are given in €k (thousand Euro). The consolidated financial statements have been set up on the basis of precise (unrounded) figures, which were then rounded to €k. This may lead to summation-related rounding differences.

The present consolidated financial statements complying with the relevant IFRS/IAS standards in all respects give an accurate picture of the actual assets, financial, and earnings situation of LUDWIG BECK AG.

The layout of items in the consolidated balance sheet, the consolidated statement of comprehensive income (total cost method), the consolidated equity statement, and the consolidated cash flow statement is in accordance with IAS 1.

The preparation of the consolidated financial statements requires estimations and assumptions, which may affect the amounts stated for assets, liabilities, and financial commitments as at the balance sheet date, as well as income and expenses of the fiscal year. Actual future amounts may differ from these estimations. The most important future-oriented assumptions and other major sources of uncertainty regarding estimations as at the relevant date, involving the considerable risk that significant adjustments of the book values of assets and debts will be required in the following fiscal year, are disclosed in the relevant explanations. The LUDWIG BECK Group made estimations and assumptions in particular with regard to the valuation of intangible assets, tangible fixed assets (cf. sub-clauses 4 and 5), inventories (cf. sub-clause 6), accruals (cf. sub-clause 9), and deferred taxes (cf. sub-clause 10).

The consolidated financial statements will be submitted to the Supervisory Board for approval at the meeting on March 24, 2021. The Executive Board will afterward release the consolidated financial statements for publication. The Annual General Meeting cannot change the consolidated financial statements approved by the Supervisory Board.

B. ACCOUNTING AND CONSOLIDATION PRINCIPLES

I. Consolidated Group

In addition to the parent company, LUDWIG BECK AG, the following subsidiaries, all domiciled in Germany, are included in the consolidated financial statements as of December 31, 2020:

Name	Shareholding ratio (also voting rights ratio)
Direct shareholdings:	
LUDWIG BECK Beteiligungs GmbH	100.0%
Indirect shareholdings:	
LUDWIG BECK Verwaltungs GmbH	86.0%
Feldmeier GmbH & Co. Betriebs KG	85.9%
Feldmeier GmbH	100.0%
LUDWIG BECK Grundbesitz Haar GmbH	100.0%
LUDWIG BECK Grundbesitz Hannover GmbH	100.0%

The aforementioned companies are fully consolidated since they are controlled by the majority of voting rights.

The consolidated Group also comprises three real estate companies, two of which hold real estate exclusively used by the Group, thus merely being exposed to risk relating to the market value development of these properties. LUDWIG BECK Grundbesitz Hannover GmbH holds properties that are rented to third parties; here, the risk lies in the market development of the properties and the ability to generate rental income.

II. Consolidation methods

1. Capital consolidation

The capital of the fully consolidated companies is consolidated using the purchase method. The acquisition costs of the investment are offset against the proportionate shareholder's equity of the fully consolidated company at the time of purchase. In the course of consolidation, the hidden reserves and liabilities were allocated to the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities was undertaken for the purpose of consolidation.

The capital of Feldmeier GmbH & Co. Betriebs KG was consolidated at the date of acquisition. At the same time, for all other first-tier and second-tier subsidiaries, capital consolidation was undertaken at the time of the foundation or acquisition of the enterprises.

Within the scope of subsequent consolidation, uncovered hidden reserves and liabilities are treated in the same way as the corresponding assets and liabilities.

The equity components of other shareholders (limited partners) of Feldmeier GmbH & Co. Betriebs KG is reported in compliance with IAS 32 and IAS 1.

No differences in the amount resulted from capital consolidations.

2. Consolidation of receivables and liabilities

Receivables and liabilities between consolidated companies were eliminated during the consolidation of receivables and liabilities.

3. Consolidation of income and expenses

Inter-company sales, other operating income, costs of materials, and other operating expenses were offset. Interest income and interest expenditure were also netted against each other.

4. Elimination of unrealized profits

There was no need for the elimination of unrealized profits resulting from inter-company sales and services.

III. Principles of foreign currency translation

No foreign currency translations were required during the consolidation of the subsidiaries, as all subsidiaries are German.

The reporting currency is thousand Euro (€k).

IV. Accounting principles and valuation methods

1. General

The consolidated balance sheet and the consolidated statements of comprehensive income of the consolidated companies were generally prepared in accordance with the hereinafter described accounting principles and valuation methods applied by the parent company.

2. Initial application of IFRS/IAS

In the past years, the IASB made several amendments to existing IFRS and published new IFRS and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The interpretations and standards that were mandatory for companies for the first time in the fiscal year beginning on January 1, 2020 had no effect on the consolidated financial statements of von LUDWIG BECK.

The following standards or their amendments are not pertinent for LUDWIG BECK so that their first-time application has no effect on the consolidated financial statements as per December 31, 2020:

- Amendments to references to the conceptual framework in IFRS standards
- Amendments to IAS 1 and IAS 8: Definition of material
- Amendments to IFRS 3: Definition of a business

- Amendments to IAS 39, IFRS 7 and IFRS 9: Interest rate benchmark reform (phase 1), hedge accounting issues related to the expected replacement of the interest rate benchmarks, so-called IBOR reform

The following amendments to IFRS 16, which would have been mandatory for LUDWIG BECK for the first time in the 2021 fiscal year, have already been applied voluntarily in advance in the consolidated financial statements as of December 31, 2020:

- Amendments to IFRS 16 regarding COVID-19 related rent concessions and their recognition in lease accounting: The amendment allows the waiving the reassessment of lease modifications under IFRS 16 and their recognition in the balance sheet if all of the following conditions are met:
 - (1) The concessions must have been agreed upon as a direct consequence of the COVID-19 pandemic.
 - (2) The change in lease payments results in revised consideration for the lease that is the same as, or less than, the consideration for the lease immediately preceding the change.
 - (3) Any reduction in lease payments affects only payments due on or before June 30, 2021.
 - (4) There is no substantive change to other terms and conditions of the lease.

These conditions were met at LUDWIG BECK and the amended provision was applied to all rent concessions. Confidentiality was agreed with the lessors on the details of rent reductions.

The initial application of the following new standards and amendments is not expected to have a significant impact on the consolidated financial statements of LUDWIG BECK:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform (phase 2)
- Amendments to IAS 16: Property, plant and equipment – proceeds before intended use
- Amendments to IAS 37: Onerous contracts – cost of fulfilling a contract
- Amendments to IFRS 3: Definition of a business
- Annual improvements project, 2018–2020 cycle: Amendments to
 - IFRS 1: Subsidiary as a first-time adopter
 - IFRS 9: Fees in the 10 per cent test for derecognition of financial liabilities
 - IFRS 16: Lease incentives (amendment to illustrative example 13)
 - IAS 41: Agriculture – taxation in fair value measurement
- Amendments to IAS 1: Classification of liabilities as current or non-current
- IFRS 17: Insurance contracts
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (EU-adoption not yet completed)

3. Currency translation applied by consolidated companies

No hedging transactions for foreign currencies were concluded.

Receivables and payables in foreign currencies are always reported at the exchange rate valid on the day of the transaction pursuant to IAS 21.

Receivables and payables in foreign currencies are valued at the relevant exchange rate on the consolidated balance sheet date.

4. Intangible assets

With the exception of the brand “LUDWIG BECK”, intangible assets acquired on a payment basis are capitalized at acquisition cost and amortized in scheduled amounts over their expected useful lives using the straight-line method (pro-rata temporis) in accordance with IAS 38.

Software, industrial property rights, and similar rights

These concern licenses and purchased or modified user software, which are written down over an expected useful life of three years or eight years in the case of essential software programs.

Brand name “LUDWIG BECK”

The enterprise value “LUDWIG BECK” (€ 2,039k) is reported under the item “Intangible assets”, as it is an identified brand name according to IAS 38. In line with the application of this standard, scheduled amortization ended as per January 1, 2004, as this right is not consumed over time (unlimited useful life). As to the impairment test performed, please refer to section C.I. (1). Consequently, no impairment of the brand name, as per December 31, 2020, was required.

5. Property, plant, and equipment

Property, plant, and equipment are carried at acquisition or production costs, including ancillary expenses, if any, according to IAS 16.

The essential item is the real estate of Feldmeier GmbH & Co. Betriebs KG at Marienplatz in Munich reported at its assessed fair value in 2001 following acquisition through merger by LUDWIG BECK Beteiligungs GmbH. The fair value of the land at initial consolidation in 2001 was determined on the basis of the acquisition costs as well as the development of guideline land prices between 1998 and 2000. The amount stated in 2001 remained unaltered until December 31, 2020. The building is depreciated in scheduled amounts.

Tangible fixed assets with limited useful lives are written down in scheduled amounts (pro-rata temporis) over their average, customary useful lives (possibly limited by shorter rental/lease agreements) using the straight-line method.

Depending on the relevant assets, the following useful life spans are assumed:

Buildings	25 – 40 years
Buildings – rented under operating lease	40 years
Buildings on third party land	10 – 20 years
Other fixtures and fittings, tools, and equipment	3 – 10 years

Movable items of capital assets up to the value of € 150.00 are fully reported with an effect on expenses outside of fixed assets in the year of acquisition. Movable items of capital assets above the value of € 150.00 and below € 1,000.00 are pooled for materiality reasons in the year of acquisition and depreciated over a useful life span of 5 years using the straight-line method.

Payments on account for assets under construction are capitalized with the amounts paid.

Maintenance costs are expensed in the respective period.

LUDWIG BECK as lessee

LUDWIG BECK has entered rental and leasing contracts, which were classified as operating leases according to IAS 17 and were therefore not recognized in the consolidated balance sheet. With the mandatory implementation of IFRS 16, the distinction between finance and operating leases no longer applies, and rental agreements must be included uniformly in the consolidated balance sheet. The right of use from the rental agreement is capitalised in the consolidated balance sheet, and the payment obligation relating to future rental payments is recognised as financial liabilities. The initial accounting for rights of use and payment obligations is carried out in the amount of the present value of the future rental payments. The capitalized rights of use are amortized on a straight-line basis over the term of the respective rental agreement, as the term is generally shorter than the useful life of the underlying assets. In the consolidated income statement, depreciation and finance costs are presented instead of rental expenses.

LUDWIG BECK as lessor

Leases in which LUDWIG BECK is lessor are classified as finance leases pursuant to IFRS 16 if all risks and rewards associated with the owners are essentially transferred to the lessee. Otherwise, leases are classified as operating leases.

LUDWIG BECK Grundbesitz Hannover GmbH leases two properties in Hanover to WORMLAN. Since the deconsolidation of WORMLAND, these leases must be presented as agreements with external third parties, which are classified as operating leases pursuant to IFRS 16.

There are only insignificant subleases. The contracts do not contain any non-leasing components.

Rental income from operating leases is recognised on a straight-line basis over the term of the respective lease. Initial direct costs from the negotiation and conclusion of lease agreements are added to the book value of the leasing object and are depreciated on a straight-line basis over the leasing period; no such costs were incurred in the 2020 fiscal year, as the rental agreements have already been in place since 2015.

Generally, the rented properties classify as financial investments in accordance with IAS 40. The annual rental income amounts to € 231k (previous year: € 281k). In proportion to LUDWIG BECK's total sales revenue, they are of absolutely minor importance and, therefore, of no relevance for the assessment of LUDWIG BECK's earnings and financial situation and the Group's control. Likewise, the book values of the properties (as per December 31, 2020: € 4,194k; previous year: € 4,252k) in relation to total assets and non-current assets are not material for the assessment of LUDWIG BECK's financial position. Therefore, LUDWIG BECK does not apply IAS 40 to the properties in Hanover.

6. Inventories

In accordance with IAS 2, raw material, supplies, and merchandise are always valued at acquisition costs. The FIFO principle was applied to the consumption of inventory where necessary.

Appropriate deductions from net realisable value were made for old stock and goods of reduced saleability (marketability). For this purpose, a distinction is made between standard, fashionable, and high-fashion goods and different discounts are applied depending on the age of the goods. Lump sum reductions for cash discounts were also recognized. Due to the lockdown since mid-December 2020 in connection with the COVID-19 pandemic, write-downs to the lower net realisable value also had to be made on the autumn/winter 20/21 merchandise. The cost of external capital was not capitalised.

7. Receivables and other assets

Trade receivables are carried at amortized costs, which usually equal nominal values before valuation allowances. Adequate valuation allowances are made for doubtful receivables and receivables with recognizable risks; bad debts are written off.

Other assets are carried at amortized costs. No recognizable risks are requiring a valuation allowance.

The deferred item is a component of other assets and only concerns prepaid operating expenses.

The book values of trade receivables and other assets correspond to their fair values.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and short-term bank balances. The amounts are given at nominal values. Fair value equals book value. There is no risk of default.

9. Accruals

According to IAS 37, accruals are recognized when an entity has a current legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount posted to accrual corresponds with the best estimate of the expense required to settle the current obligation as per the relevant date of the financial statements.

Long-term non-interest-bearing accruals are discounted at their cash values.

Pension commitments

Accounting for pension commitments was carried out in compliance with the provisions of IAS 19R "Employee Benefits".

The actuarial valuation of pension commitments is based on the projected unit credit method as prescribed for old-age pension commitments in IAS 19R. According to this method, not only the pension benefits and accrued future pension benefits known at the balance sheet date but also expected increases in salaries and pensions are taken into account. Actuarial profits and losses are entered directly in equity.

10. Liabilities

Financial liabilities

According to IFRS 13, financial liabilities are basically carried at their fair value. Fair values are determined by taking into consideration changes in market interest levels for financial liabilities with comparable conditions (term, repayment conditions, securities).

Trade and other liabilities

Trade and other liabilities are generally carried at amortized costs, which essentially means equal fair values. Most of them fall due within one year. They comprise a variety of individual items.

Derivative financial instruments

The LUDWIG BECK Group does not utilize any derivative financial instruments.

11. Deferred taxes

Deferred taxes are calculated according to the balance sheet-oriented liability method (IAS 12). This generally requires deferred taxation items to be stated for all temporary accounting and valuation differences between valuations, according to IFRS and tax-relevant valuations. Assets-side deferred taxes are only considered if recognition is expected.

In calculating deferred taxes (corporate tax, solidarity surcharge, trade tax), the corporate tax rate of 32.975% applicable to LUDWIG BECK AG was applied throughout. The trade tax rate calculated based on the municipal trade tax factor of 490% for Munich was 17.15%. In respect of the tax losses incurred solely as a result of the COVID-19 pandemic in the 2020 fiscal year, deferred tax assets have been recognised in the full amount, as the company believes that sufficient taxable profits will be available in the future to utilise the tax loss carried forward.

For temporary differences resulting from Feldmeier GmbH & Co. Betriebs KG, the tax rate of 15.825% (corporate tax and solidarity surcharge), was applied to the portions attributable to LUDWIG BECK Beteiligungs GmbH and Feldmeier GmbH. Due to trade tax reduction regulations pertaining to Feldmeier GmbH & Co. Betriebs KG trade tax was not taken into account for these temporary differences.

Deferred tax assets and liabilities were offset in accordance with IAS 12.74.

12. Maturities

Asset and liability items with a residual term of up to one year were recognized as “short-term”. Asset and liability items with a residual term of more than one year were recognized as “long-term”.

13. Revenue recognition

Sales revenue is recognized when sales contracts are concluded. Sales revenue is reported, fewer revenue reductions and refund credits, with deduced value, added tax clearly disclosed.

For loyalty points acquired by customers within the framework of our loyalty programme with the LUDWIG BECK Card, part of the turnover is not realised upon purchase but upon redemption of credits. Until the redemption, a contractual liability in the amount of the equivalent value is recognised. The contract liability is valued at the sales value of the credit balances based on a portfolio approach. As there are no reliable empirical data on the redemption behaviour of loyalty cardholders, a 100% redemption of the balances was assumed as of December 31, 2020. If balances have expired as of the balance sheet date without being redeemed, the proceeds are realised, and the liability is eliminated.

14. Financial instruments

Financial assets and liabilities included in the consolidated balance sheet comprise cash and cash equivalents, trade receivables and trade payables, other receivables, other payables, and liabilities to banks. The accounting principles regarding carrying amounts and valuation of these items are described in the respective explanations to these consolidated notes.

Financial instruments are classified as assets or liabilities, according to the economic content of the contractual terms. Interest, profits, and losses from these financial instruments are therefore carried as expenses or income. Interest, profits, and losses from these financial instruments are therefore carried as expenses or income.

Financial instruments are offset if the Group has a legally enforceable right to use offsetting and intends to settle either just the difference or both the receivables and payables at the same time.

Financial assets and liabilities are carried as soon as the relevant contractual payment claims, or contractual payment obligations arise. They are written off when payment is made, total loss of the payment claim has occurred, or LUDWIG BECK is relieved from the obligation.

In accordance with IAS 32.18 (b), shareholdings of the other shareholder in Feldmeier GmbH & Co. Betriebs KG are classified as borrowed capital.

Management of financial risks

The LUDWIG BECK Group uses a centralized approach to financial risk management for the identification, valuation, and control of risks. No significant risks are discernible as per the balance sheet date. Areas of risk from financial assets and liabilities can be subdivided into liquidity, credit, and interest risks.

Liquidity risk

The term generally describes the risk that the LUDWIG BECK Group would not be in a position to meet its obligations resulting from financial liabilities.

The management is constantly monitoring and planning required liquidity needs based on up-to-date cash flow figures and schemes. The company depends on framework credit facilities and bank loans to be able to provide sufficient liquid funds. As per the relevant date, short-term credit facilities to the amount of €43,000k were available until further notice, approximately 39% ((including bank guarantees taken out) have been utilized. Netted against bank balances within the Group as per the balance sheet date, the utilisation amounted to approximately 13%.

As a result of cash flow planning for the future and available credit lines, no liquidity bottlenecks are discernible at present. Risks would only occur in case of a deteriorating credit standing or if cash flows forecasted within the scope of business planning fall considerably short of the estimates. The maturity structure of liabilities is illustrated in connection with the relevant individual balance sheet items.

Risk of bad debt

The risk of bad debt concerns the default risk involved in financial assets. LUDWIG BECK basically generates primary sales against cash or credit card or EC card receivables. Therefore, LUDWIG BECK is exposed to the risk of bad debt only to a very limited extent. The online trade still plays a subordinate role in comparison to stationary trade. The credit card providers mainly bear the risks involved in credit card payments. The monitoring of claims from sales on the EC card basis is outsourced to an

external provider. Risks arising from the physical movement of cash are minimized through implemented monitoring mechanisms.

Derivative financial instruments

As per the balance sheet date, there were no derivative financial instruments to report.

Interest risk

The LUDWIG BECK Group uses current account overdraft facilities subject to variable interest. With regard to these items, the Group is exposed to interest risks from financial liabilities, which can be considered as minor under current market conditions.

15. Changes in accounting and valuation methods

Accounting and valuation principles remained unchanged in comparison to the previous year.

C. EXPLANATIONS TO INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

I. Consolidated Balance Sheet

(1) Intangible assets and property, plant, and equipment

This term comprises the following items shown in the consolidated balance sheet:

- Intangible assets
- Property, plant, and equipment

The development of acquisition costs, cumulative depreciation, and book values of intangible and tangible fixed assets are presented in the following fixed asset schedule.

Intangible assets

Intangible assets only comprise assets acquired on a payment basis.

The useful life of software is between 3 and 10 years. Software is depreciated pro-rata temporis using the straight-line method. The used enterprise resource planning system is depreciated over a useful life span of 8 years.

The intangible asset originating from the purchase of the brand name “Ludwig Beck” in 1995 was amortized pro rata temporis in annual amounts of € 170k until December 31, 2003, using the straight-line method. By virtue of the applied IAS 36 and IAS 38 standards, the yearly scheduled amortization of this intangible asset ended on January 1, 2004.

The brand name “LUDWIG BECK” only concerns the cash-generating unit “Marienplatz Flagship Store”. Impairment tests are carried out on an annual basis. The recoverable amount equals the utility value, as there is no active market for the brand name. The utility value was derived from the planned cash flows of the flagship store (before financing activities and income taxes), which were discounted by an interest rate after taxes of 2.6%. The interest rate was determined on the basis of weighted average capital costs. The cash flows were deduced from previous years and were extrapolated for a period of 5 years within the company’s planning. An increase in sales of 1.5% as well as a gross profit margin of approximately 48% and cost indexation of 1.5% were assumed.

No adjustments for the diminution of value had to be made as a result of the impairment test. LUDWIG BECK considers discount rate- and sales growth-related assumptions as basic assumptions underlying the calculations for the performance of the impairment test. Alternative scenarios were calculated with a $\pm 1\%$ discount rate difference and a $\pm 1\%$ sales growth variance. All scenarios showed that no impairment losses had to be taken into account.

For the 2020 fiscal year, payments on account in the amount of € 49k (previous year: € 917k) had to be reported.

Development of consolidated fixed assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, from January 1, 2020 – December 31, 2020

	As of 1/1/2020 1/1/2019	Addition	Dis- posal	Dis- posal WL*)	Reclas- sificati- on	As of 12/31/2020 12/31/2019	Cumulativ e Depreciati- on	Disposal WL*)	Book Value 12/31/2020 12/31/2019	Book Value 12/31/2019	Depre- ciatio- n) 2020 2019
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets											
1. Software, industrial and similar rights	3,153	558	280	0	917	4,349	1,896	0	2,453	1,490	512
<i>Previous year</i>	4,482	386	475	1,240	0	3,153	1,663	1,066	1,490	1,560	283
2. Brand name	3,399	0	0	0	0	3,399	1,359	0	2,039	2,039	0
<i>Previous year</i>	5,224	0	0	1,825	0	3,399	1,359	1,825	2,039	2,039	0
3. Payments on account	917	49	0	0	-917	49	0	0	49	917	0
<i>Previous year</i>	723	431	0	237	0	917	0	0	917	723	0
	7,469	607	280	0	0	7,796	3,255	0	4,541	4,446	512
<i>Previous year</i>	10,428	817	475	3,301	0	7,469	3,023	2,891	4,446	4,322	283
II. Property, plant, and equipment											
1. Land, land rights, and buildings including buildings on third party land	183,905	3,161	11,675	0	14	175,405	28,635	0	146,769	153,853	4,665
<i>Previous year</i>	133,315	68,694	112	18,026	34	183,905	30,052	16,436	153,853	91,375	4,643
2. Other fixtures and fittings, tools, and equipment	12,282	666	940	0	238	12,247	9,426	0	2,821	3,031	1,028
<i>Previous year</i>	21,854	437	444	9,566	0	12,282	9,251	8,445	3,031	4,739	1,004
3. Payments on account and assets under construction	252	453	0	0	-252	453	0	0	453	252	0
<i>Previous year</i>	84	205	0	3	-34	252	0	0	252	84	0
	196,439	4,280	12,615	0	0	188,104	38,061	0	150,043	157,136	5,694
<i>Previous year</i>	155,253	69,336	555	27,594	0	196,439	39,303	24,882	157,136	96,198	5,647
	203,908	4,887	12,895	0	0	195,901	41,316	0	154,584	161,583	6,206
<i>Previous year</i>	165,681	70,153	1,030	30,896	0	203,908	42,326	27,773	161,583	100,520	5,930

*) WL = WORMLAND

Property, plant, and equipmentRights of use from leasing agreements

As of December 31, 2020, rights of use under leasing agreements are composed as follows:

	Residual term			
	Sum total	up to 1 year	1 – 5 years	over 5 years
	€k	€k	€k	€k
1. Land, land rights, and buildings including buildings on third party land	64,002	3,486	13,416	47,100
2. Other fixtures and fittings, tools, and equipment	42	24	18	0
	64,044	3,510	13,434	47,100

In total, rights of use totalling € 2,468k were added in the fiscal year 2020 as a result of rent adjustments and the leasing of the logistics property in Haar.

Land, land rights, and buildings, including buildings on third party land

Buildings are depreciated over their expected useful lives of 25–40 years (pro-rata temporis) using the straight-line method. Improvements are depreciated by all Group companies over a customary useful life span of 10–20 years or shorter lease terms (pro-rata temporis) as the case may be, using the straight-line method.

Real estate at Marienplatz

The land was valued at € 68,779k on September 1, 2001. As of the date of acquisition within the scope of initial consolidation, the building (September 1, 2001: € 3,527k) is depreciated over 30 years in annual rates of € 118k (December 31, 2020: € 1,254k). For the valuation of land at the initial consolidation of Feldmeier GmbH & Co. Betriebs KG hidden reserves amounting to € 66,661k were uncovered. For the fair value measurement of land at initial consolidation in 2001, the acquisition costs and the development of guideline land prices between 1998 and 2000 were considered. The carrying value determined in 2001 was maintained until December 31, 2020 without changes.

The property at Marienplatz is burdened with land charges for reported interest-bearing liabilities in the amount of € 29,575k (previous year: € 28,590k).

Other real estate

The logistics property in Haar near Munich was sold with benefits and burdens as of December 31, 2020, and rented back via sale and lease back. The rental rights for future years were reported accordingly under the rights of use from rental agreements.

The LUDWIG BECK Group also owns two properties in Hanover, which are rented to WORMLAND within an operating lease agreement.

The development of these properties, which are reported under item II.1 "Land, land rights, and buildings including buildings on third party land", is as follows:

	As of 1/1/2020 1/1/2019	Addition	Dispo sal	Reclas sificati on	As of 12/31/2020 12/31/2019	Cumulativ e Depre- ciation	Book Value 12/31/2020 12/31/2019	Book Value 12/31/2019	Depre ciatio n 2020 2019
	€k	€k	€k	€k	€k	€k	€k	€k	€k
Properties rented out under operating leases	4,524	0	0	0	4,524	331	4,193	4,252	59
<i>Previous year</i>	<i>4,524</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,524</i>	<i>272</i>	<i>4,252</i>	<i>4,311</i>	<i>59</i>

There are no restrictions on disposal or encumbrances in respect of these properties.

Other fixtures and fittings, tools, and equipment

The assets listed under this item are basically depreciated (pro-rata temporis) over a useful life of 3 to 10 years using the straight-line method.

Payments on account and assets under construction amounted to € 453k (previous year: € 252k) as per December 31, 2020.

(2) Other assets (long-term)

Other long-term assets are concerning long-term deferred items.

(3) Inventories

Inventories consist of the following items:

	12/31/2020	12/31/2019
	€k	€k
Raw material and supplies (at cost)	175	134
Merchandise (at cost)	15,098	13,293
Less impairment of merchandise	-3,228	-1,096
	12,045	12,331

The usual retention of title until complete payment for the merchandise applies to all disclosed inventories. It can be expected that most inventory items will be sold within the next 12 months.

Up until the date of inventory taking actual inventory, discrepancies were taken into account for stock determination. Between the date of inventory taking and December 31, 2020, goods on hand per department were reduced by a deduction for wastage based on the average of the last three years. This deduction led to a valuation allowance of € 216k (previous year: € 222k). All merchandise was carried at cost fewer value allowances. Appropriate deductions on the lower realisable net value were made for stocks of reduced saleability (marketability). Due to the lockdown since mid-December 2020 in connection with the COVID-19 pandemic, write-downs to the lower net realisable value were made on the 2020/21 autumn/winter merchandise as well, in the amount of € 1,900k. Lump sum reductions for cash discounts were also recognized. In the fiscal year, write-downs amounted to € 3,228k (previous year: € 1,096k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

In the reporting period, merchandise in the amount of € 28,842k (previous year: € 41,419k) was carried as expense (cost of goods sold before adjustment of valuation allowance on net realizable value).

(4) Receivables and other assets (short-term)

Receivables and other assets comprise the following items:

	12/31/2020	12/31/2019
	€k	€k
Trade receivables	313	605
Other assets	1,515	1,793
Deferred items	170	145
	1,997	2,543

The disclosed carrying amounts correspond to market values. All maturities are within one year. There are no risks of default as per the relevant date.

Trade receivables (short-term)

Trade receivables contain the following items:

	12/31/2020	12/31/2019
	€k	€k
Total receivables	325	616
Less allowances	-12	-11
Receivables	313	605

There are specific and general allowances.

There were no hedging activities.

Other assets (short-term)

Other short-term assets consist of the following items:

	12/31/2020	12/31/2019
	€k	€k
Debit-side creditors	251	219
Receivables due from tax authorities	897	895
Receivables due from suppliers	94	292
Other	273	386
	1,515	1,793

Deferred item

The deferred item concerns various expenses representing costs incurred for a specific period after the consolidated balance sheet date.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances.

Cash and cash equivalents contain the following items:

	12/31/2020	12/31/2019
	€k	€k
Cash-in-hand	117	396
Bank balances	11,105	243
	11,222	639

Bank balances were not interest-bearing as of the relevant date. The bank balances include the proceeds from the sale of the property in Haar. Cash-in-hand is not interest-bearing. There are no hedging activities.

(6) Shareholders' equity

As regards the presentation of changes in shareholders' equity in the fiscal year 2020, we refer to the equity statement.

The company's capital management objectives focus mainly on:

- Safeguarding financing and liquidity on an ongoing basis,
- Ensuring befitting credit rating, and
- Procuring adequate interest on equity.

The principal objective of capital management is the control of liquid funds and debt capital. In contrast, the provision of sufficient liquidity at any time for the financing of planned investments and the ongoing business is paramount.

The Group monitors equity by means of various equity key figures such as equity ratio and returns on equity. The equity ratio is determined by putting economic equity concerning the balance sheet total. Economic equity of the LUDWIG BECK Group corresponds to balance sheet equity. Neither LUDWIG BECK AG nor any of its consolidated subsidiaries are subject to external minimum capital requirements.

Subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695,000 no-par shares (ordinary shares) as per December 31, 2020 (December 31, 2019: 3.695.000). The no-par shares are issued to bearer and represent an imputed € 2.56 share of the equity capital each. The share capital was fully paid up. Im Geschäftsjahr 2020 befanden sich durchschnittlich 3.695.000 Aktien im Umlauf. All ordinary shares are entitled to the profit distribution to be resolved by the General Meeting. No dividend payment was made in fiscal year 2020 due to the negative consolidated net income in 2019.

In the fiscal year, the subscribed capital amounted to € 9,446k (previous year: € 9,446k).

Shareholder structure

According to the company's knowledge, the shareholder structure of LUDWIG BECK AG as of December 31, 2020, is as follows:

	%
Hans Rudolf Wöhrle Verwaltungs GmbH, Reichenschwand	25.7%
INTRO-Verwaltungs GmbH, Reichenschwand	25.2%
BG Heppenheim Grundstücks GmbH, Grasbrunn	24.0%
OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG, Köln	5.0%
Rheintex Verwaltungs AG, Köln	3.0%
Kleinanleger (Anleger unter 3%)	17.1%

Notifications pursuant to Section 21 (former version) resp. Section 33 Par. 1 (new version) German Securities Trading Law (WpHG)

Indirect and direct shareholdings

OST-WEST Beteiligungs- und Grundstücksverwaltungs AG, Cologne, reported on June 18, 2009, that it exceeded the 5% threshold of voting rights in LUDWIG BECK AG on June 18, 2009, and held 5.007% at that date. This corresponds to 185,000 votes, 4.87% (180,000 votes) of which are attributable to subsidiaries.

Direct shareholding

Rheintex Verwaltungs AG, Cologne, reported on June 22, 2009, that it exceeded the 3% threshold of voting rights in LUDWIG BECK AG on June 18, 2009, and held 3.019% at that date. This corresponds to 111,550 votes.

Direct shareholding

INTRO-Verwaltungs GmbH, Reichenschwand, reported on December 23, 2010, that it fell below the 50% threshold of voting rights in LUDWIG BECK AG on December 22, 2010, and held 49.19% at that date. This corresponds to 1,817,605 votes.

On December 2, 2020, INTRO-Verwaltungs GmbH, Reichenschwand reported to hold a total of 930,805 shares in LUDWIG BECK AG. Thus, the company now holds about 25.19 % of the voting rights.

Direct shareholding

Hans Rudolf Wöhrle Verwaltungs GmbH, Reichenschwand, reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 votes.

Indirect shareholding

Hans Rudolf Wöhrle Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 voting rights.

Indirect shareholding

Hans Rudolf Wöhrle Beteiligungs GmbH, Reichenschwand, reported on March 25, 2011, that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011, and held 25.35% at that date. This corresponds to 936,545 voting rights.

Direct shareholding

Mr. Alfons Doblinger reported to hold a total of 900,755 shares in LUDWIG BECK AG on December 2, 2020. At the time of notification, he thus held approximately 24.38% of the voting rights. This includes voting rights from 24.00% of the shares in LUDWIG BECK AG held directly by BG Heppenheim Grundstücks GmbH, Grasbrunn, which are to be attributed to Mr. Doblinger pursuant to Section 34 WpHG.

Capital reserve

The development of capital reserve is shown in the equity statement. The capital reserve serves to secure the long-term financing of the company.

Accumulated profit

The development of accumulated profit is shown in the equity statement. Accumulated profit serves to secure the short-term and long-term financing of the company.

Compensation claims resulting from limited partners' interests of other shareholders are basically to be classified as debt capital, according to IAS 32.18 (b) (cf. explanations in clause (7) below).

(7) Compensation claim for other shareholders

The compensation claim for other shareholders of Feldmeier GmbH & Co. Betriebs KG is subject to the provisions set forth in the company agreement. The amount of the compensation claim is calculated on the basis of the market value of the relevant shares. In contrast, the carrying amount of the market value of the Marienplatz property was determined in the company agreement. Furthermore, the agreement provides that the company shall be entitled to set off payment claims against a withdrawing shareholder against this shareholder's compensation balance, if any, at any time. In the year under report, the following calculation was made:

	12//31/2020	12/31/2019
	€k	€k
Assumed market value of Feldmeier GmbH & Co. Betriebs KG for the purpose of computing a potential compensation claim according to the company agreement	87,072	87,072
Other shareholders' interest (14.06%)	12,242	12,242
Receivables from other shareholders	-15,659	-15,659
	-3,417	-3,417

Since receivables from the other shareholder exceed its share in the market value of the company, no compensation obligation had to be entered into the balance sheet.

According to the provisions outlined in the company agreement, the other shareholder is generally not obligated to settle the aforementioned receivables – with the exception of the aforementioned setoff option. Therefore, LUDWIG BECK cannot claim receivables from the other shareholder on account of this excess.

(8) Accruals

The following details on formed accruals are provided in accordance with IAS 37:

	As of 1/1/2020	Utilization	Disposal WORMLAND	Addition	As of 12/31/2020
	€k	€k	€k	€k	€k
Repair and maintenance obligation	1,311	44	0	0	1,267
<i>Previous year</i>	2,186	0	1,076	201	1,311
Pension commitments	944	0	0	120	1,064
<i>Previous year</i>	563	0	0	381	944
Obligation from accepted legacy	642	123	0	0	519
<i>Previous year</i>	753	111	0	0	642
Total accruals	2,897	167	0	120	2,851
<i>Previous year</i>	3,502	111	1,076	582	2,897

Repair and maintenance obligations

After the disposal of WORMLAND, accruals still concern repair and maintenance obligations from a rental agreement. They concern deconstruction obligations upon termination of this rental agreement. The amounts of the obligation were estimated for the anticipated dates of performance. The values set down in the expert opinions were extrapolated based on an average construction cost increase and discounted at a normal market rate. Unless this estimation is to be adjusted in the coming years, the accruals will be compounded proportionally.

Utilization is scheduled for the relevant determination date of the underlying rental agreement.

Pension commitments

Accruals for pension commitments are established for employee benefit schemes providing for retirement, disability, and surviving dependents' benefits if the pension plan is to be qualified as a performance-oriented plan according to IAS 19R.

Pension accruals for defined benefit plans are determined in accordance with the internationally accepted "projected unit credit method" pursuant to IAS 19R. Future pension commitments are measured on the basis of the prorated acquired entitlements as of the balance sheet date.

In these present consolidated financial statements, the company reports pension commitments in line with the provisions of IAS 19R. Accordingly, so-called actuarial profits and losses are recognized directly under shareholders' equity pursuant to IAS 19R. Furthermore, the company paid premiums to an external insurance company, which will make payments in the event giving rise to benefits. This insurance policy is to be qualified as a plan asset. On account of the aforementioned transfer of pension liabilities to a pension fund, LUDWIG BECK assumes that the Group won't have any payment obligations when pension benefits fall due.

The cash value of the pension commitment and the fair value of the plan assets have developed as follows in the fiscal year 2020:

	12/31/2020	12/31/2019
	€k	€k
Cash value of pension commitments as of 1/1	3,413	3,053
Interest costs	35	57
Retirement benefits	-103	-103
Actuarial profits (-) / losses (+) to be accounted for directly in equity	166	406
Cash value of pension commitments as of 12/31	3,511	3,413
Carrying amount of pension commitments before offsetting	3,511	3,413
	12/31/2020	12/31/2019
	€k	€k

	12/31/2020	12/31/2019
	€k	€k
Cash value of plan assets as of 1/	-2,469	-2,489
Return on plan assets	-80	-81
Payments from plan assets	104	102
Actuarial profits (-) / losses (+)	-1	-1
Cash value of plan assets as of 12/31	-2,447	-2,469
Remaining difference as of 12/31	1,064	944

The cash values of pension commitments amounted to € 3,053k as of December 31, 2018, and to € 3,054k as of December 31, 2017, the cash values of plan assets to € 2,489k respectively € 2,508k.

The following actuarial assumptions form the basis for the determination of the balance sheet value of the commitments:

	2020	2019
Discount factor	0.75%	1.05%
Pension trend	1.00%	1.00%

The "2018 G Reference Tables" by Klaus Heubeck served as a biometric basis for the relevant calculations.

Actuarial profits and losses resulting from asset changes and deviations of the actual trends (e.g. interest rate variations) from the original calculation parameters.

A change of the actuarial rate by +0.5% percentage points would result in a cash value decrease of benefit commitments to € 3,271k, a change by -0.5% percentage points would raise the cash value of benefit commitments to € 3,788k.

A 7.5% pension trend adjustment every 15 years would reduce the cash value of benefit commitments to € 3,213k, a 7.5% adjustment every five years would raise the cash value of benefit commitments to € 3,771k.

The company expects service costs in the amount of € 0k and interest costs in the amount of € 26k as well as plan asset yields in the amount of € 79k for the fiscal year 2020. No contributions to plan assets have been made since December 1, 2017. The weighted average term of benefit commitments is 14.74 years.

Obligation from accepted legacy

By accepting the legacy of a late shareholder, LUDWIG BECK incurred contractual obligations towards the surviving relatives of this former shareholder, which amounted to € 297k (previous year: € 420k) as per December 31, 2020. In return, the LUDWIG BECK Group received the shareholder's interest in Feldmeier GmbH & Co. Betriebs KG.

Of the total amount of € 519k, the sum of € 121k is expected to be utilized within twelve months. Furthermore, prorated utilization can be expected until the year 2023.

(9) Liabilities

As of the balance sheet date, liabilities are composed as follows:

	Residual term			
	Sum total	up to 1 year	1 – 5 years	over 5 years
	€k	€k	€k	€k
1. Financial liabilities	116,050	27,077	24,123	64,850
<i>Previous year</i>	106,742	16,570	25,619	64,553
2. Trade liabilities	831	831	0	0
<i>Previous year</i>	1,058	1,058	0	0
3. Tax liabilities	858	858	0	0
<i>Previous year</i>	29	29	0	0
4. Other liabilities	3,245	3,245	0	0
<i>Previous year</i>	4,431	4,431	0	0
– tax-related: € 465k (previous year: € 1,472k)				
– social security-related: € 3k (previous year: € 3k)				
12/31/2020	120,984	32,011	24,123	64,850
<i>Previous year</i>	112,260	22,088	25,619	64,553

In connection with the aforementioned financial liabilities, the following contractually agreed interest payments would have to be made in the coming years:

	Residual term			
	Sum total	up to 1 year	1 – 5 years	over 5 years
	€k	€k	€k	€k
Loan interests	1,603	603	997	3
<i>Previous year</i>	1,611	615	943	52

€ 23,724k of financial liabilities in the aggregate amount of € 116,050k were applied to financing the “Marienplatz” property. The liabilities are secured as follows:

	€k
Land charges SIGNAL Krankenversicherung a.G.	9,575
Land charges UniCredit Bank AG	14,149
Assignment of rents to SIGNAL Krankenversicherung a.G.	3,766

Two other loan liabilities of LUDWIG BECK AG are secured as follows:

Land charges UniCredit Bank AG € 5,851k

The other liabilities are not secured as of December 31, 2020.

9 a) Financial liabilities (long-term)

Long-term financial liabilities are composed as follows:

	12/31/2020	12/31/2019
	€k	€k
Loan SIGNAL Krankenversicherung a.G.	0	9,575
Loan UniCredit Bank AG	26,396	17,298
Leasing	62,970	63,023
Other loans	0	276
	89,364	90,172

Loans do not contain any loan derivatives (structured products) that have to be split off or valued separately.

Long-term financial liabilities are carried at amortized cost, which in the present case, equal the repayment amounts. Interest rates ranged between 1.10% and 1.8% in the year under report.

The fair value of the long-term financial liabilities amounted to € 90,424k (previous year: € 91,499k) as per the balance sheet date.

9 b) Financial liabilities (short-term)

Short-term financial liabilities consist of the following items:

	12/31/2020	12/31/2019
	€k	€k
Current account liabilities	12,791	12,089
Loan UniCredit Bank AG	901	899
Loan SIGNAL Krankenversicherung a.G.	9,575	818
Leasing	3,061	2,656
Other loans	356	108
	26,684	16,570

As of December 31, 2020, the current account and guarantee credit facilities granted by banks amounted to € 43,000k, in aggregate. They were subject to interest at market rates when utilized.

Short-term financial liabilities are recognized at repayment value.

The interest rates for short-term financial liabilities ranged between 0.85% and 4.17% in the year under report.

Summarized Presentation of long-term and short-term liabilities from finance leasing

	Sum total	Residual term		
		up to 1 year	1–5 years	over 5 years
	€k	€k	€k	€k
1. Minimum lease payments	85,509	4,538	15,777	65,194
<i>Previous year</i>	85,166	4,133	16,127	64,906
2. Interests and administrative costs	19,478	1,477	3,890	14,095
<i>Previous year</i>	19,487	1,477	3,976	14,033
3. Redemption (cash value of leasing liabilities)	66,031	3,061	11,887	51,099
<i>Previous year</i>	65,679	2,655	12,151	50,873

No acquisition options were agreed within the framework of operating leasing contracts.

9 c) Trade liabilities (short-term)

Trade liabilities in the amount of € 831k (previous year: € 1,058k) are carried at their repayment values. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are generally paid within ten days to benefit from cash discounts, whereas the credit period is generally 60 days.

9 d) Other liabilities (short-term)

	12/31/2020	12/31/2019
	€k	€k
Wage and sales taxes	467	1,472
Purchase vouchers	1,321	1,173
Personnel expenses	340	614
Year-end closing and tax declaration costs	188	131
Other accrued liabilities	929	1,041
	3,245	4,431

9 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 858k (previous year: € 29k) as of December 31, 2020. This mainly relates to income taxes incurred from the sale of the property in Haar.

(10) Deferred taxes (assets-side and liabilities-side)

Deferred taxes are attributable to the following consolidated balance sheet items or matters:

	12/31/2020		12/31/2019	
	Assets- side	Liabilities- side	Assets- side	Liabilities- side
	€k	€k	€k	€k
Brand name "LUDWIG BECK"		673		673
Land		328		361
Buildings	37			54
Accruals	416		380	
Finance Lease	655		245	
Loss carry-forwards	3,348		0	
Other		18	21	
Total	4,456	1,019	646	1,088
Net balance of deferred taxes	-691	-691	-646	-646
Sum total according to the consolidated balance sheet	3,765	328	0	442

With the exception of the categories brand name "LUDWIG BECK" and land, deferred taxes have resulted exclusively from temporary taxable differences between the tax balance sheet and the IFRS balance sheet of the respective company concerned (IAS 12.15). These temporary differences and hence the deferred taxes will be released over the corresponding periods (until the recognition of the respective asset or liability).

Deferred tax liabilities were formed for a "quasi-permanent" difference between the valuation of the land in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG and the IFRS balance sheet. The sale of the real estate company has been considered as the most probable realization proposition.

Deferred tax liabilities were also formed for the "quasi-permanent" difference in recognition of the enterprise value "LUDWIG BECK" in the IFRS balance sheet and the tax balance sheet.

In respect of the tax losses incurred solely as a result of the COVID-19 pandemic in the 2020 fiscal year, deferred tax assets have been recognised in the full amount, as the company believes that sufficient taxable profits will be available in the future to utilise the tax loss carried forward. The usability of the tax loss carried forward is not time limited.

The residual terms of the accrual-related deferred items formed for both these “quasi-permanent” differences exceed 12 months.

The balance sheet item for deferred taxes relating to accruals includes assets-side deferred taxes in the amount of € 351k (previous year: € 311k) attributable to income and expenses directly entered in equity.

II. Consolidated Statement of Comprehensive Income

(11) Sales revenue

	2020	2019
	€k	€k
Sales revenue	51,490	80,077

Sales revenue is explained in more detail in the segment reporting section. With the exception of an amount totalling € 1,931k (previous year: € 360k), all net sales of the LUDWIG BECK Group were generated in Germany.

Sales revenues include rental income from operating leases amounting to € 231k (previous year: € 281k).

(12) Other own work capitalized

In the fiscal year 2020, other own work capitalized amounted to € 47k (previous year: € 39k). This item concerns personnel expenses incurred during refurbishing works at the department store at Marienplatz.

(13) Other operating income

Other operating income consists of the following items:

	2020	2019
	€k	€k
Rental income	952	1,203
Sales proceeds	509	769
Personnel earnings	460	561
Cafeteria earnings	207	343
Aperiodic income	216	519
Other income	4,498	357
	6,842	3,752

Other income amounting to € 4,498k mainly relates to the income from the sale of the property in Haar.

(14) Cost of materials

	2020	2019
	€k	€k
Cost of merchandise	30,974	41,483

The expenses carried under this item contain merchandise at cost fewer discounts received as well as changes in opening and closing stock and reductions due to lack of saleability.

(15) Personnel expenses

	2020	2019
	€k	€k
Wages and salaries	11,253	14,746
Social security contributions	2,144	2,565
Pension costs	125	134
	13,523	17,445

Pensions

The company has set up so-called contribution-oriented and performance-oriented pension schemes (IAS 19R) for employees of the LUDWIG BECK Group.

These are divided into three groups:

a) Pension schemes for all employees of LUDWIG BECK

As of January 1, 2001, employees have the possibility to apply for inclusion in the union-agreed pension scheme after 6 months of service.

For employees who joined the company before March 31, 2000, the pension scheme is a direct insurance agreement concluded with an independent third party (with complete reinsurance cover). For employees who joined the company after March 31, 2000, contributions are paid into a pension fund.

The scheme is financed by employer contributions which are expensed to the consolidated profit and loss account.

Employees who joined the company before March 31, 2000, are older than 25 and have worked for the company for a minimum of 5 years receive a voluntary pension promise by LUDWIG BECK against which union-agreed pension claims are offset.

The scheme qualifies as a contribution-oriented plan within the meaning of IAS 19R.

The costs of these pension commitments amounted to € 125k in 2020 (previous year: € 134k).

A total of 284 (previous year: 284) employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

LUDWIG BECK gave two former members of the Executive Board pension promises. This commitment qualifies as a performance-oriented plan within the meaning of IAS 19R.

Expenses for pension obligations are explained in clause (8).

(16) Depreciation

For details concerning the composition of depreciation and amortization of intangible assets and property, plant, and equipment, please refer to the fixed asset schedule.

(17) Other operating expenses

Other operating expenses comprise the following items:

	2020	2019
	€k	€k
Rental expenses	10	17
Other occupancy costs	1,991	2,229
Administrative expenses	1,532	2,049
Sales expenses	4,234	4,609
Other personnel expenses	964	2,047
Insurance/contributions	222	232
Other taxes	121	121
Other	480	747
	9,554	12,051

(18) Financial result

	2020	2019
	€k	€k
Interest income	80	82
Interest expenditure	2,459	2,410
Financial result	-2,379	-2,328

Interest income basically concerned interest received on plan assets in the amount of € 80k (previous year: € 82k). The interest portion of interest expenditure relating to pension commitments was € 35k (previous year: € 57k).

(19) Taxes on income

	2020	2019
	€k	€k
Current taxes on income	1,304	1,436
Other deferred tax income (-) / tax expense (+)	-3,825	-234
	-2,521	1,202

Deferred tax income / tax expense	2020	2019
	€k	€k
From the accounting of loss carry forwards	-3,348	0
From the accounting of financing leases pursuant to IFRS 16	-410	-245
From temporary differences in accounting for buildings	-82	3
From temporary differences in accounting for pension accruals	15	8
Total deferred tax income (-) / tax expense (+)	-3,825	-234

The following table reflects the transition from tax expenses or yields calculated based on the Group-specific tax rate of 32.975% (corporate tax, solidarity surcharge, trade tax), and the tax expenses or yields carried in the IFRS-compliant consolidated financial statements:

	2020	2019
	€k	€k
Earnings before taxes on income	-4,257	4,631
Nominal Group-specific tax rate in %	32,975	32,975
Arithmetic tax expense	-1,404	1,527
Changes in arithmetic tax expense:		
– Tax rate differences from real estate companies of the LUDWIG BECK Group	-1,389	-636
– Deviating basis for tax assessment	217	346
– Other	55	-35
Actual tax expense	-2,521	1,202

(20) Earnings after taxes from discontinued operations

In the consolidated statement of comprehensive income, revenues, earnings, and expenses of the WORMLAND subgroup were eliminated from the individual items and reported as a net amount in a separate "Profit after tax from discontinued operations" reporting line. This is made up as follows:

	2020	2019
	€k	€k
Revenues and income	0	17,482
Expenses	0	19,687
Earnings before taxes	0	-2,205
Taxes on income	0	0
Earnings after taxes	0	-2,205
Losses from deconsolidation	0	-14,813
Earnings after taxes from discontinued operations	0	-17,018

(21) Income and expenses directly entered in equity

Income and expenses directly entered in equity are subject to the following deferred tax expenses or income:

	2020	2019
	€k	€k
Net pension commitment		
– Income (+) / expense (-)	-164	-405
– Deferred tax income (-) / tax expense (+)	-54	-133
Net income (+) / net expense (-)	-110	-272
Sum total of income (+) and expenses (-) directly entered in equity	-110	-272

(22) Explanations to earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing consolidated net profit by the weighted average number of shares issued during the period under review.

Earnings per share

	2020	2019
Consolidated net loss in €k	-1,737	-13,590
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	-0.47	-3.68

Undiluted and diluted earnings are identical.

The breakdown of earnings per share for continued and discontinued operations is shown in the consolidated statement of comprehensive income.

Dividend proposal

The Executive Board has proposed to distribute no dividend for the 2020 fiscal year.

D. EXPLANATIONS TO SEGMENT REPORTING

The following segment reporting complies with IFRS 8 "Operating Segments", which defines the requirements for reporting on the financial results of a company's operating segments. The applied method is the so-called "Management Approach", which requests a company to present segment information based on the Internal Reports that are regularly reviewed by the so-called "Chief Operating Decision Maker" for the purpose of deciding on the allocation of resources to individual segments and performance assessment.

LUDWIG BECK therefore subdivides its reporting segments into "textile" (clothing) and "non-textile" (accessories, stationery, music, beauty).

In the 2020 fiscal year, the Group figures to be segmented are split among the individual segments as follows:

	Group	Textile	Non-textile
	€k	€k	€k
Gross sales	60,365	39,223	21,142
<i>Previous year</i>	95,272	68,007	27,265
VAT	-8,876	-5,755	-3,121
<i>Previous year</i>	-15,195	-10,847	-4,349
Net sales	51,490	33,468	18,022
<i>Previous year</i>	80,077	57,160	22,917
Cost of sales (without discounts, rebates etc.)	-29,706	-19,579	-10,127
<i>Previous year</i>	-42,684	-29,695	-12,989
Gross profit	21,784	13,889	7,895
<i>Previous year</i>	37,393	27,465	9,928
Personnel expenses of sales	-5,687	-3,324	-2,363
<i>Previous year</i>	-7,660	-4,578	-3,082
Calculatory occupancy costs	-12,545	-10,379	-2,166
<i>Previous year</i>	-12,649	-10,414	-2,235
Calculatory interests	-1,364	-920	-444
<i>Previous year</i>	-1,310	-864	-446
Segment result	2,188	-734	2,922
<i>Previous year</i>	15,774	11,609	4,165
Discounts, rebates, etc. on the cost of sales	-1,269		
<i>Previous year</i>	1,201		
Other operating income and expenses	9,880		
<i>Previous year</i>	4,389		
Other personnel expenses	-7,836		
<i>Previous year</i>	-9,785		
Depreciation	-6,206		
<i>Previous year</i>	-5,930		
Other financial result	-1,015		
<i>Previous year</i>	-1,018		
Taxes on income	2,521		
<i>Previous year</i>	-1,202		
Earnings after taxes from continued operations	-1,737		
<i>Previous year</i>	3,429		
Segment assets			
Inventories	11,870	6,955	4,915

	Group	Textile	Non-textile
	€k	€k	€k
<i>Previous year</i>	12,197	7,497	4,860
Segment assets total	11,870	6,955	4,915
<i>Previous year</i>	12,197	7,497	4,860

E. EXPLANATIONS TO CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Group's liquid funds changed during the year under review as a result of inflows and outflows of cash. In accordance with IAS 7 (Cash Flow Statements), the company distinguishes between cash flows from operating, investing, and financing activities. The liquidity shown in the cash flow statement comprises cash-in-hand and bank balances.

Cash and cash equivalents within the meaning of IAS 7.6. et seq. equal the sum of cash-in-hand and short-term bank balances.

As per December 31, 2020, LUDWIG BECK Group has access to framework credit facilities of € 43,000k. Approximately 13% of said facilities have been utilized for bank guarantees and short-term bank loans.

F. EXPLANATIONS TO CONSOLIDATED EQUITY STATEMENT

The equity statement reflects the changes to the Group's individual equity items in the course of the year under review. The presentation is in accordance with IAS 1.

G. OTHER DETAILS

I. Contingent liabilities, contingent receivables

1. Contingent liabilities

In addition to actual commitments covered by accruals, there are no probably occurring commitments depending on future events.

2. Contingent receivables

There are no contingent receivables to be disclosed pursuant to IAS 37.

II. Other financial commitments

All rental agreements had to be accounted for due to the mandatory implementation of IFRS 16. As a result, they are no longer reported as other financial commitments.

The Group is bound by a purchase order commitment for merchandise in the value of € 9,154k (previous year: € 8,790k).

III. Leasing

The accounting principles for assets and liabilities for leases are described in section B. IV. 5.

Leasing agreements where LUDWIG BECK acts as lessee

The development of rights of use assets from leasing agreements in which LUDWIG BECK acts as the lessee is shown in section C. I. (1).

	2020	2019
	€k	€k
Depreciation for the fiscal year		

Land, land rights and buildings including buildings on third party land	3,319	3,289
Other fixtures and fittings, tools and equipment	40	36
Addition for the fiscal year		
Land, land rights and buildings including buildings on third party land	2,450	0
Other fixtures and fittings, tools and equipment	18	0
Interest expense	1,507	1,528
Total payments for financial leases	3,707	4,109

Sale and leaseback transactions resulted in a profit of € 4,003k (previous year: € 0) for 2020.

The development of leasing liabilities from leasing agreements in which LUDWIG BECK acts as lessee is shown in section C. I. 9b).

Operating leasing agreements where LUDWIG BECK acts as lessor

The development of real estate rented out under operating leases from leasing agreements in which LUDWIG BECK acts as lessor is described in section C. I. (1).

Future payments due under operating leases:

Due date in	2021	2022	2023	2024	2025	over 5 years
	€k	€k	€k	€k	€k	€k
Nominal value	281	250	244	244	244	1,181

IV. Declaration of conformity according to section 161 Stock Corporation Act (AktG) (Corporate Governance)

The Executive Board and Supervisory Board of LUDWIG BECK AG issued the Declaration of Conformity according to Section 161 Joint Stock Corporation Act (AktG) on September 15, 2020.

The Declaration of Conformity has been made permanently available to shareholders at the company's Internet site in the section Investor Relations under the menu item Corporate Governance on the page Declaration of Compliance.

V. Relations to related companies and persons

The following lists the companies and persons related to the Group pursuant to IAS 24.

Executive Board:

Christian Greiner, Chairmen, Businessman

Jens Schott, Businessman

The total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for their work in the 2020 fiscal year amounted to € 476k (previous year: € 1,238).

As of December 31, 2020, the members of the Executive Board held 16,000 shares. There were no directors' dealings in the 2020 fiscal year.

Individual details of Executive Board remuneration are included in the Remuneration Report section of the consolidated management report.

Supervisory Board:

Dr. Bruno Sälzer, Chairmen (as of July 28, 2020), Businessman, Grünwald

Sandra Pabst, Vice Chairwoman, Managing Director, Nuremberg

Clarissa Käfer, Tax Consultant and Lawyer, Munich

Josef Schmid, Lawyer, Munich (as of July 28, 2020)

Michael Eckhoff, Department Manager, Munich*)
 Michael Neumaier, Commercial Clerk, Grafrath*)
 Dr. Steffen Stremme, Chairmen, Businessman, Erlangen (until July 28, 2020)
 *) Employee representative

The total remuneration of the Supervisory Board in the fiscal year 2020 amounted to € 173k (previous year € 202k).

In the 2020 fiscal year, transactions with related parties took place only to an insignificant extent. All transactions with related parties were made at arm's length.

The following members of the Executive Board and Supervisory Board hold seats on supervisory boards or similar executive bodies of further companies:

Mr. Christian Greiner

Supervisory Board Chairman: Rudolf Wöhr SE, Nuremberg
 Supervisory Board: TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
 Advisory Board: Bültel International Fashion Group, Salzbergen
 Deutsche Bank AG, Advisory Board for Bavaria

Mrs. Sandra Pabst

Supervisory Board: AURUM-Project AG, Reichenschwand
 Curameo AG, Reichenschwand

Dr. Bruno Sälzer

Board of Directors: Zino Davidoff SA, Basel
 Supervisory Board: Lacoste Holding NG, Paris
 Advisory Board: Deichmann SE, Essen

Mrs. Clarissa Käfer

Supervisory Board Chairwoman: Käfer AG, Parsdorf
 Supervisory Board: Münchner Bank eG, Munich
 Member of the Board of Trustees: Bayerische Sportstiftung, Munich
 Advisory Board: Stadtfeuerwehrverband München e.V., Munich
 Advisory Board: Eichbauer Gruppe, Munich

Dr. Steffen Stremme (until July 28, 2020)

Supervisory Board: BU-Holding AG, Nuremberg
 Advisory Board: menzerna polishing compounds GmbH & Co. KG, Ötigheim

As in the previous year, the members of the Supervisory Board held no shares as of December 31, 2020, in LUDWIG BECK AG.

VI. Supplementary report

The lockdown imposed due to the tightening of the COVID-19 pandemic situation in December is still in place after the balance sheet date of December 31, 2020, and is already causing significant negative effects on the Group's financial position, net assets, and results from operations in the 2021 fiscal year. At present, news reports indicate that initial easings might be expected from March 7, 2021, onwards. The Executive Board expects that the pandemic situation will not improve significantly until nationwide vaccination has been achieved and that a return to normal business operations will only be possible then.

VII. Audit fees

The fee of the auditor for the lapsed the fiscal Year 2020 € 105k (previous year: € 113k).

The fee for the audit of the consolidated financial statements, the annual financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG as well as audit reviews carried out for subsidiaries, amounted to € 100k (previous year: € 98k). The amount incurred for audit-related issues amounted to € 5k (previous year: € 15k).

VIII. Personnel

	2020	2019
Full-time	139	150
Part-time	158	158
Temporary	101	134
	398	442

Apprentices were not included in the calculation.

IX. Information according to section 297 para. 2 Commercial Code (HGB)

The Executive Board issued the statutory declaration required by Section 297 Par. 2 Commercial Code (HGB).

Munich, February 19, 2021

The Executive Board

Christian Greiner

Jens Schott

3 Consolidated *Management Report*

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I. Group Fundamentals

1. BUSINESS ACTIVITY

The Munich Fashion Group LUDWIG BECK operates a retail textile business in the medium and premium price segments. The offered product range mostly consists of textile goods but also non-textile goods such as cosmetics, paper products, and sound recordings. Its brick-and-mortar business centres on the “Store of the Senses” flagship store at Munich’s Marienplatz. In addition, exclusive beauty products are available in an annex in FÜNF HÖFE, Munich.

In addition to the brick-and-mortar shop, customers in German-speaking regions are addressed by the ludwig-beck.de online portal with a wide selection of premium cosmetics, textiles, and accessories.

2. STRATEGY AND GOALS

LUDWIG BECK seeks to permanently secure a top rank among Germany’s leading fashion houses. Combining top-end product selections, creatively staged product presentations, and service-oriented advice and sales culture, a top city location is the method of choice for cementing this market position.

Promotions, presentations, and sales spaces are constantly reviewed with a clear focus on optimization. LUDWIG BECK’s traditionally outstanding quality of service is further developed to keep up with growing customer demands.

To realize the envisaged high-end service level, LUDWIG BECK relies on satisfied employees who not only appreciate the Group as a sought-after employer and career home but also make active use of the wide range of generously offered development opportunities.

3. INTERNAL CONTROL SYSTEM

An internal control system provides LUDWIG BECK with all required information for controlling inventories, product selections, and the allocation of sales areas in an efficient manner. The system allows for accurate to-the-date resource planning analyses, organized by categories, such as product group and article number through to department volume.

The Group's financial scope of action is continuously monitored on the basis of these parameters by way of target-actual comparison, in order to be able to respond swiftly if significant deviations occur.

In addition to the financial performance indicators integrated into the aforementioned control system, the company uses a number of other key parameters to measure economic efficiency. These refer to developments in sales and earnings, working capital as well as investments in relation to capital employed.

The monthly reporting system provides the Executive Board with information on target-actual analyses reflecting the development of the key parameters. This is to make sure that immediate action can be taken if current business performance results deviate from the plan. In parallel, a thorough cause analysis makes sure that risks are kept at a minimum and opportunities exploited.

II. Economic Report

1. GENERAL AND BRANCH-SPECIFIC ENVIRONMENT

World economy dominated by the coronavirus pandemic

In 2020, the global economy was dominated by the coronavirus pandemic, which caused a global recession in the first half of the year. All regions of the world - industrialised countries as well as emerging markets - faced considerable restrictions in economic activities. At the beginning of the second half of the year, the markets began to recover. With a significant aggravation of the COVID-19 pandemic situation from mid-October and the final lockdown since mid-December, the economic situation in Germany and the world increasingly deteriorated. Further economic development still depends on the infection rate worldwide.

The trade conflict between the USA and China continues to smoulder, meaning that the mid-range position of the European economy remains unchanged. The British exit from the European single market (BREXIT), the second largest economy in Europe, was the subject of negotiations throughout the year and will continue to influence the further economic development in the EU.

German economy slipped into recession

The coronavirus pandemic left its mark on almost all sectors of the economy. The industrial and service sectors were particularly hit, although the construction industry was able to grow. Especially in the first half of the year, industry suffered, among other things, from temporarily disrupted global supply chains. The German economy, with its focus on exports, recorded a price-adjusted decline in exports of 9.9% - many customer countries have been hit even harder by the coronavirus pandemic than Germany. Some services sectors experienced the sharpest declines ever. The combined trade, transport, hotels, and restaurants sectors, for example, recorded a 6.3% lower price-adjusted economic output than in 2019.

For the first time since 2011, Germany posted a budget deficit for the year. According to preliminary calculations by the Federal Statistical Office, the price-adjusted gross domestic product was down 5% versus 2019.

The 14-year rise in employment came to an end in 2020. Experts believe that the extended schemes for short-time work have probably prevented layoffs, and the number of employees subject to social security contributions remained stable.

Due to increased uncertainties, private consumer spending declined by 6.0% year-on-year in real terms and thus by more than ever before. On the other hand, government consumption with a price-adjusted increase of 3.4% had a stabilising effect.

Stationary textile industry faces a sales slump due to coronavirus pandemic

In particular, for the retail sector, 2020 was dominated by the coronavirus pandemic. The lockdown in spring, the light lockdown in November and the renewed lockdown in mid-December, which affected the fourth quarter and Christmas business, the most important quarter for the industry, caused an unprecedented drop in sales. While the situation in the retail sector was already characterised by a negative development in previous years, fashion retailers lost almost a third of their revenues compared to the previous year (2019: minus 2%), says TW-Testclub the panel with the highest participation. At the end of the first half of the year, revenues were still 35% below the previous year. The second half of the year showed a slight upturn. Due to the light lockdown in November and the renewed lockdown from 16 December onwards, revenues again slumped sharply. As a result of the lockdown in spring and the renewed shop closures in December, the stationary fashion retail trade missed more than 40 sales days.

Consumers' behaviour has also changed massively. With home office work, fashion consumption has turned more casual. Sales in occasion wear and men's suits were most affected. The GfK Consumer Panel Fashion supports this development, consumers bought less and less fashion last year, both in-store and online. Other products, such as bicycles or furniture, moved into focus. Online retail benefited strongly from the closure of brick-and-mortar stores. However, Germans spent almost 20% less on fashion than in 2019.

There were further insolvencies of shops and brands that for many years had shaped the picture in German retail. In addition, a declining frequency in the city centres is generally perceptible.

2. LUDWIG BECK BUSINESS DEVELOPMENT

The 2020 fiscal year was more than difficult for LUDWIG BECK. With the first officially ordered lockdown, all shops in Bavaria, except everyday consumer goods shops, were closed from March 18, 2020. LUDWIG BECK's online shop was not affected by the stationary restrictions. There, customers could continue their shopping as usual. The branch in the Fünf Höfe, where LUDWIG BECK sells care products, was allowed to reopen on April 6, 2020. It was not until May 11, 2020, that the flagship store at Marienplatz reopened its doors to customers under strict hygiene restrictions. But even after the reopening, it was quickly noticed that there was a cautious consumer sentiment. There was also a lack of tourists, who are normally plentiful in Munich, especially during the summer. Cancelling the Oktoberfest also had a massive impact on business. With the start of the second wave, the official measures and requirements were tightened once again. Christmas markets were cancelled, and the second lockdown followed in mid-December, once again causing LUDWIG BECK to suffer significant sales losses in the strongest sales period of the year. Only the online business developed positively, but of course, it was far from being able to compensate for the drop in stationary sales. To complement its product range and services, LUDWIG BECK started selling fashion and accessories via its online shop in April 2020.

3. CONSOLIDATED EARNINGS

All sums in the following charts are calculated precisely and then rounded to one decimal place to €m. Percentages were derived from precise (not rounded) values.

	1/1/2020–12/31/2020		1/1/2019–12/31/2019		Delta
	€m	%	€m	%	€m
Gross sales	60.4	117.2%	95.3	119.0%	-34.9
VAT	8.9	17.2%	15.2	19.0%	-6.3
Net sales	51.5	100.0%	80.1	100.0%	-28.6
Own work capitalized	0.0	0.1%	0.0	0.0%	0.0
Other operating income	6.8	13.3%	3.8	4.7%	3.1
	58.4	113.4%	83.9	104.7%	-25.5
Cost of materials	31.0	60.2%	41.5	51.8%	-10.5
Personnel expenses	13.5	26.3%	17.4	21.8%	-3.9
Depreciation	6.2	12.1%	5.9	7.4%	0.3
Cost of office and store space	2.0	3.9%	2.3	2.8%	-0.3
Administrative expenses	1.5	3.0%	2.0	2.6%	-0.5
Sales expenses	4.2	8.2%	4.6	5.8%	-0.4
Other personnel costs	1.0	1.9%	2.0	2.5%	-1.1
Insurance and contributions	0.2	0.4%	0.2	0.3%	0.0
Other expenses	0.6	1.2%	0.8	1.1%	-0.2
Sum total of other operating expenses	9.6	18.6%	12.1	15.0%	-2.5
Earnings before interest and taxes (EBIT)	-1.9	-3.6%	7.0	8.7%	-8.8
Financial result	-2.4	-4.6%	-2.3	-2.9%	-0.1
Earnings before taxes on income (EBT)	-4.3	-8.3%	4.6	5.8%	-8.9
Taxes on income	-2.5	-4.9%	1.2	1.5%	3.7
Net income from continued operations	-1.7	-3.4%	3.4	4.3%	-5.2
Net income from discontinued operations	0.0	0.0%	-17.0	-21.3%	17.0
Consolidated net income	-1.7	-3.4%	-13.6	-17.0%	11.9
Expenses (-) and income (+) directly entered into equity	-0.1	-0.2%	-0.3	-0.3%	0.2
Consolidated comprehensive income	-1.8	-3.6%	-13.9	-17.3%	12.0
Gross profit	20.5	39.8%	38.6	48.2%	-18.1
EBITDA	4.3	8.4%	12.9	16.1%	-8.6
Operating margin (EBT / net sales) in %	-8.3		5.8		

Segment reporting

LUDWIG BECK's segment reporting comprises the segments "textile" and "non-textile":

1/1/2020–12/31/2020	Textile		Non-textile		Group	
	€m	%	€m	%	€m	%
Gross sales	39.2	117.2%	21.1	117.3%	60.4	117.2%
<i>Previous year</i>	68.0	119.0%	27.3	119.0%	95.3	119.0%
VAT	-5.8	17.2%	-3.1	17.3%	-8.9	17.2%
<i>Previous year</i>	-10.8	19.0%	-4.3	19.0%	-15.2	19.0%
Net sales	33.5	100.0%	18.0	100.0%	51.5	100.0%
<i>Previous year</i>	57.2	100.0%	22.9	100.0%	80.1	100.0%
Cost of sales (without discounts, rebates etc.)	-19.6	58.5%	-10.1	56.2%	-29.7	57.7%
<i>Previous year</i>	-29.7	52.0%	-13.0	56.7%	-42.7	53.3%
Gross profit	13.9	41.5%	7.9	43.8%	21.8	42.3%
<i>Previous year</i>	27.5	48.0%	9.9	43.3%	37.4	46.7%
Personnel expenses of sales	-3.3	9.9%	-2.4	13.1%	-5.7	11.0%
<i>Previous year</i>	-4.6	8.0%	-3.1	13.4%	-7.7	9.6%
Imputed occupancy costs	-10.4	31.0%	-2.2	12.0%	-12.5	24.4%
<i>Previous year</i>	-10.4	18.2%	-2.2	9.8%	-12.6	15.8%
Imputed interest costs	-0.9	2.7%	-0.4	2.5%	-1.4	2.6%
<i>Previous year</i>	-0.9	1.5%	-0.4	1.9%	-1.3	1.6%
Segment result	-0.7	-2.2%	2.9	16.2%	2.2	4.2%
<i>Previous year</i>	11.6	20.3%	4.2	18.1%	15.8	19.7%

Sales development

In the 2020 fiscal year, the LUDWIG BECK Group generated gross sales of € 60.4m (previous year: € 95.3m). The turnover of goods amounted to € 60.1m (previous year: € 94.9m).

The entire German textile retail sector as well as LUDWIG BECK were subjected to the COVID-19 pandemic in 2020 and its drastic effects on the economy and consumer behaviour. A period of approximately 10 weeks of lockdown caused an enormous loss of sales, which could not be recovered. In addition, the busiest time of the year in terms of sales, the Christmas business, was strongly negatively affected by the tightening measures and a complete lockdown. The only positive development was in online sales, which, however, could not compensate for the drop in sales in brick-and-mortar retail.

LUDWIG BECK generated sales in the "textile" segment of € 39.2m (previous year: € 68.0m). Sales in the "non-textile" segment, which also includes the online shop www.ludwigbeck.de, were € 21.1m (previous year: € 27.3m).

Earnings situation

In line with the development of sales, the gross profit was € 20.5m (previous year: € 38.6m). At 39.8%, the net gross profit margin was significantly below the previous year's level (48.2%) due to larger price discounts and markdowns on goods. In the 2020 fiscal year, in addition to the normal markdown on merchandise, a special markdown of € 1.9m was made on autumn/winter merchandise for the current season, which could not be sold due to the lockdown and subdued consumer sentiment.

Other earnings, composed of the profit from the sale of the property in Haar, rental income, income generated by the administrative, sales, and personnel departments, amounted to € 6.8m (previous year: € 3.8m).

Earnings before interest, taxes, and depreciation (EBITDA) came to only € 4.3m (previous year: € 12.9m) due to the negative merchandise business.

Depreciation in the 2020 fiscal year amounted to € 6.2m (previous year: € 5.9m). Earnings before interest and taxes (EBIT) was € -1.9m (previous year: € 7.0m). EBIT margin was -3.6% (previous year: 8.7%).

The financial result amounted to € -2.4m (previous year: € -2.3m). Earnings before taxes (EBT) came to € -4.3m (previous year: € 4.6m).

On the negative operating result of LUDWIG BECK AG, deferred tax assets of € 3.4m were recognised on loss carried forward at the Group level. The management assumes that they will be used up by positive operating results in the coming years after the COVID-19 pandemic. Overall, tax income of € -2.5m (previous year: tax expense of € 1.2m) was reported.

Earnings after taxes (EAT) were € -1.7m (previous year: € -13.9m). In the previous year, the result of the LUDWIG BECK subgroup amounted to € 3.4m. Earnings after taxes for the WORMLAND subgroup were € -17.0m.

The negative Group result for 2020 was not eased by the temporary aid scheme within the German governments coronavirus stimulus programme, as LUDWIG BECK was not among the eligible companies by the end of the fiscal year. Only personnel expenses were partially reduced by KUG payments.

4. CONSOLIDATED ASSETS

Assets	2020		2019	
	€m	%	€m	%
Long-term assets				
Intangible assets	4.5	2.5	4.4	2.5
Property, plant, and equipment	150.0	81.7	157.1	88.7
Other assets	0.1	0.1	0.1	0.1
Deferred Taxes	3.8	0.0	0.0	0.0
	158.5	86.3	161.7	91.2
Short-term assets				
Inventories	12.0	6.6	12.3	7.0
Receivables and other assets	2.0	1.1	2.5	1.4
Cash and cash equivalents	11.2	6.1	0.6	0.4
	25.3	13.7	15.5	8.8
Balance sheet total	183.8	100.0	177.2	100.0

The balance sheet total of the LUDWIG BECK Group stood at € 183.8m (December 31, 2019: € 177.2m) as per the reporting date December 31, 2020.

As in the previous year, property, plant, and equipment was the largest item on the balance sheet at € 150.0m (previous year: € 157.1m). In addition to the property at Marienplatz in Munich with more than € 70m, usage rights from rental agreements in the amount of € 64.0m were recognised in this item. The shares in the real estate company were acquired in the 2001 fiscal year. The carrying value was taken over unchanged to December 31, 2020.

Intangible assets of € 4.5m were at the previous year's level (December 31, 2019: € 4.4m). Ordinary depreciation was compensated by investments in the online segment and digitalisation.

Short-term assets were at € 25.3m (December 31, 2019: € 15.5m). Inventories, at € 12.0m (previous year: € 12.3m), constitute the main item of short-term assets. The higher stocks of current autumn/winter merchandise, which could not be sold due to the ongoing lockdown, were marked down by a special rate of € 1.9m in addition to the normal, age-related mark-downs.

The decline in receivables from € 2.5m to € 2.0m was caused by the partial loss of the Christmas business.

Cash and cash equivalents came to € 11.2m (previous year: € 0.6m). In addition to cash-in-hand, this item included the price from the sale of the property in Haar in the amount of € 10.1m. The transfer of benefits and encumbrances took place on December 31, 2020. Since the purchase price was paid shortly before the year-end, the positive bank balances could not be used to reduce the current account overdrafts. The bank balances were not offset against the current account overdrafts until the beginning of the 2021 fiscal year.

5. FINANCIAL POSITION

Liabilities	2020		2019	
	€m	%	€m	%
Shareholders' equity	59.6	32.4	61.6	34.8
Long-term liabilities				
Financial liabilities	89.4	48.4	90.2	50.9
Accruals	2.9	1.6	2.9	1.6
Deferred taxes	0.3	0.2	0.4	0.2
	92.6	50.1	93.5	52.8
Short-term liabilities				
Financial liabilities	26.7	14.7	16.6	9.3
Trade liabilities	0.8	0.5	1.1	0.6
Accrued taxes	0.9	0.5	0.0	0.0
Other liabilities	3.2	1.8	4.4	2.5
	31.6	17.4	22.1	12.5
Balance sheet total	183.8	100.0	177.2	100.0

As of December 31, 2020, shareholders' equity of the LUDWIG BECK Group amounted to € 59.6m (December 31, 2019: € 61.6m). The negative result of € -1.8m mainly contributed to this development. The equity ratio of the LUDWIG BECK Group was 32.4% (December 31, 2019: 34.8%).

Financial liabilities of the Group totalled € 124.2m (December 31, 2019: € 115.6m). At the beginning of the 2021 fiscal year, as shown under cash and cash equivalents, bank balances in the amount of approximately € 10m were offset against current financial liabilities, so that the total amount of liabilities and thus also the balance sheet total decreased by approximately € 10m.

In the 2020 fiscal year, the Group had raised a medium-term LfA loan in the amount of € 10.0m as liquidity support. This is intended to cushion the negative effects of the COVID-19 pandemic on LUDWIG BECK's liquidity situation. Current and non-current financial liabilities increased by € 9.3m to € 116.1m as of the balance sheet date. Provisions, deferred taxes, trade payables and other liabilities decreased by a total of € 0.8m.

Like in previous years, trade liabilities were recognized at repayment value. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are routinely paid within 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

The finance policy of the Group is directed at securing liquidity while simultaneously optimizing financing costs. To the extent possible, non-operational risks are to be excluded.

Cash flow

Cash flow from operating activities amounted to € 3.5m (previous year: € 7.9m), mainly due to the negative result in the 2020 fiscal year.

The cash flow from investment activities amounted to € 7.7m as of December 31, 2020 (previous year: € -13.9m). The inflow of funds from the sale of the property in Haar was offset by investments in the flagship store at Marienplatz in Munich and in the CRM, online, and IT activities.

The cash flow from financing activities reached a total of € 6.4m (previous year: € 5.0m).

More details about individual cash flow items are listed in the consolidated cash flow statement.

6. SUMMARY STATEMENT ON BUSINESS DEVELOPMENT

The business development was marked by the effects of the COVID-19 pandemic and the resulting measures by the authorities. With more than 40 sales days less than in a normal business year, the Group's net assets, financial position, and results of operations were very tense. The Executive Board believes that the situation will only ease once the population has been vaccinated.

7. NON-FINANCIAL PERFORMANCE INDICATORS

Employees

LUDWIG BECK's success is based essentially on employee qualification, motivation, and advisory competence. As intermediaries between product and customer, employees and their daily commitment are without alternative. While trends and products come and go, the people behind the brand of LUDWIG BECK are a stable constant incorporating the real value of the company. LUDWIG BECK employees are highly appreciated in-house and enjoy the special promotion. The Group undertakes every effort to preserve employee development and qualification at this high level. Internal training events were held in 2020 with this objective in mind.

LUDWIG BECK also has committed to the principles of "Healthy Leading". This includes broad-ranged employee workshops, fitness activities with cooperation partners. These health management activities minimize absences and enhance well-being at work.

Since the beginning of the COVID-19 pandemic, LUDWIG BECK has offered its administrative staff the ability to work from home. Many meetings now only take place digitally to minimise the risks of infection with the coronavirus.

The Executive Board would like to thank its employees once again for their relentless commitment and loyalty to LUDWIG BECK, even in these difficult and challenging times.

In 2020, the LUDWIG BECK Group had 397 employees on average (previous year: 441). The number of apprentices was 47 (previous year: 46). The weighted number of employees stood at 265 (previous year: 294). The decline in the number of employees was mainly due to temporary staff, who were only partially employed due to the very limited Christmas business.

III. Remuneration Report

1. REMUNERATION OF THE EXECUTIVE BOARD

The total remuneration of the members of the Executive Board consists of several remuneration components. Non-performance-related components include fixed remuneration and fringe benefits. The performance-related component is a bonus. The bonus amount depends on the development of the Group's return on sales in the last three years. Furthermore, the Supervisory Board can, at its discretion, grant a special bonus to reward special accomplishments. Benefits in kind are valued in line with payroll tax regulations.

The structure of the remuneration system for the Executive Board, as proposed by the personnel committee, is discussed, and reviewed by the Supervisory Board on a regular basis. The general Supervisory Board passes decisions on remuneration.

The criteria for adequacy of the remuneration are, in particular, the duties of the respective members of the Executive Board, their personal performance as well as the economic situation, the success, and the future prospects of the company in a comparable business environment.

In the 2020 fiscal year, the members of the Executive Board waived a total of € 138k of their fixed remuneration in light of the COVID-19 pandemic and its effects on the economic situation of the Company.

The total remuneration of the members of the Executive Board for their work in the fiscal year amounted to € 476k (previous year: € 1,238k).

Details are shown in the following charts:

Value of remunerations granted in the reporting year 2020

in €k	Christian Greiner Board Member for Purchasing, Sales, Personnel, Marketing as of 9/1/2019 Chairmen				2019 (proportio- nal)	Jens Schott Board Member for Finances, IT as of 9/1/2019		
	2019	2020	2020 (min)	2020 (max)		2020	2020 (min)	2020 (max)
Fixed salary	386	386	386	386	69	206	206	206
Waiver	0	-103	0	0	0	-35	0	0
Fringe benefits	16	16	16	16	1	6	6	6
Subtotal	402	299	402	402	70	177	212	212
One-year variable pay	223	0	0	223	20	0	0	150
Total remuneration	625	299	402	625	90	177	212	362

in €k	Dieter Münch Board Member for Personnel, Finances, IT until 8/31/2019			
	2019	2020	2020 (min)	2020 (max)
Fixed salary	286	0	0	0
Fringe benefits	14	0	0	0
Subtotal	300	0	0	0
One-year variable pay	223	0	0	0
Total remuneration	523	0	0	0

Inflow in/for the reporting year 2020

in €k	Christian Greiner Board Member for Purchasing, Sales, Personnel, Marketing as of 9/1/2019 Chairmen		Jens Schott Board Member for Finances, IT as of 9/1/2019	
	2019	2020	2019	2020
Fixed salary	386	386	69	206
Waiver	0	-103	0	-35
Fringe benefits	16	16	1	6
Zwischensumme	402	299	70	177
Variable pay for previous years	223	223	0	20
Gesamtvergütung	625	522	70	197

in €k	Dieter Münch Board Member for Personnel, Finances, IT until 8/31/2019	
	2019	2020
Fixed salary	286	0
Fringe benefits	14	0
Subtotal	300	0
Variable pay for previous years	223	0
Total remuneration	523	0

Dieter Münch resigned from the Executive Board as of August 31, 2019. On the basis of the termination agreement, Mr. Münch received one-off severance payments of € 1,222k for contractually agreed fixed and variable payments until the end of his employment contract.

Pension benefits of € 104k (previous year: € 104k) were paid to a former Executive Board member in fiscal year 2020. LUDWIG BECK paid the contributions to these pension benefits during the active service period until completion of age 63. The cash value of pension benefits for former Executive Board members amounts to € 2,835k. Current pensions are indexed.

No member of the Executive Board has been promised further benefits in case of departure. In the fiscal year, no member of the Executive Board received benefits or corresponding undertakings from third parties regarding his activities as a member of the Executive Board.

2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was determined by the Annual General Meeting and is regulated by the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board.

Chairing of and membership in the committees of the Supervisory Board are remunerated separately in accordance with the German Corporate Governance Code. Members of the Supervisory Board who belong to the Supervisory Board for less than a full year are remunerated on a pro-rata basis.

The fixed remuneration for members of the Supervisory Board is € 25k per fiscal year. The chairman's fixed pay is € 50k. The vice-chairman receives € 37.5k. The remuneration for serving in a committee is € 2.5 per fiscal year and € 5k for the chairman.

In the 2020 fiscal year, the members of the Supervisory Board waived 20% of their remuneration due to the COVID-19 pandemic and its impact on the earnings situation.

Details are shown in the following chart:

in €k	2019	2020
Dr. Bruno Sälzer, Chairman, (as of July 28, 2020)	28	32
Sandra Pabst, deputy Chairwoman	40	32
Clarissa Käfer	33	26
Josef Schmid (as of July 28, 2020)	0	9
Michael Neumaier *)	25	20
Michael Eckhoff *) (as of August 8, 2019)	10	20
Dr. Steffen Stremme (until July 28, 2020)	58	34
Jochen Vöcker *) (until April 30, 2019)	8	0
Total remuneration	202	173

* Employee representative

IV. Risk and Opportunity Report

RISK REPORT

Evaluation – a core mission

Long-term business success in a dynamic market can only be achieved by recognizing and engaging opportunities early on. This necessity is one of the fundamental entrepreneurial obligations.

The companies of the LUDWIG BECK Group are exposed to external and internal factors of influence that can have a direct or indirect impact on the business. LUDWIG BECK classifies these potentials by quantitative and qualitative indicators. The management continually examines the thus identified risks and opportunities, taking into consideration that almost a third of LUDWIG BECK's customers are tourists. Locally insignificant risks become more and more important from a trans-regional and global perspective. The same holds true for opportunities.

For the purpose of risk monitoring and evaluation, LUDWIG BECK has established the following risk categories:

Class A – significant risks: They include risks that, should they come to pass, would potentially endanger the company's existence. Diminishing or shifting these risks through controlling measures is only marginally possible – or not at all.

Class B – acceptable, yet relevant risks: Risks of this category either have a high damage potential and minor probability, or a high probability and minor damage potential.

Class C – non-relevant risks: Based on their extent of damage and probability, these risks can be classified as minor.

Constant evaluation enables the company to forestall and avert problems, and to utilize latent potentials to create value. Due to their size, DAX companies have personnel and technical resources to measure and evaluate opportunities and risks daily. LUDWIG BECK, however, relies on communication structures. In order to make the analytical process as efficient as possible, the Group's employees are in constant communication with the Executive Board that pursues an open door policy. On a higher level, the Executive Board and Supervisory Board discuss potential risks and opportunities, consider solutions, and determine adequate sets of measures.

1. Risks from the environment

Macro-economic risks (class B)

The combination of comprehensive reflationary programs, rescue packages for financial institutions and states, and sinking tax receipts led to an exceptional, historical high in budget deficits and to record levels of the national debt in Western

industrialized nations. The development in Greece and in other European countries exemplified quite plainly how easily investor concerns regarding a country's public finances can spread into other countries as well. Furthermore, high levels of national debt can dampen economic growth in the long term, ultimately endangering monetary stability. The partial and cumulative effects to be considered may reverberate in a possibly significant worsening of the still upheld positive consumer sentiment, should other topics gain higher priority.

Political and socio-political risks (class B)

As the Group partially targets demand from international customers, it has to consider global, socio-political risks. Political crises, currency slumps, civil wars, revolutions, and other societal upheavals in the customers' home countries, as well as calls for boycott, can cause important target groups to stay away from Munich.

The influx of refugees into Europe, and Germany in particular, which may have been restrained only temporarily, increases the risk of societal distortions as exemplified by the continuously harsher tone in public discourse, terrorist attacks committed by offenders who entered as refugees, the departure of large segments of the population from mainstream media and the government, New Year's Eve celebrations in major cities which are only safe under the protection of massive police presence, and discussions about public security which have never before been held with such fervor. Worries and fears of many German citizens, poor information policy, the absence of clear signals from the government, and a revival of radical currents could lead to an increasing polarization of German society, incidentally influencing economic circumstances and consumer climate. Then again, it is currently not possible to predict whether the migrants that have entered Germany since 2015, can be integrated into the social life and labour markets in a way creating positive effects for all. If this cannot be achieved in the long term, increasing exposure to the aforementioned risk potential could be the consequence.

Risks due to epidemics and pandemics (class B)

A city as highly linked and open to tourism as Munich is basically susceptible to epidemics and pandemics. Not only the possible risk of illness of employees and customers can severely impair business activities - the fears generated by the news, the information in the digital media, and rumours could also cause a drop in sales, particularly at the heavily frequented store at Marienplatz. The absence of daily visitors and tourists would cause an additional drawback for the flagship store, which is traditionally visited by a large number of foreign customers. Finally, in the case of an escalating public perception of an epidemic or pandemic, the overall economic impact might also affect LUDWIG BECK. In particular, adverse effects on consumer behaviour, supply shortages, or the official closure of stores could have a considerable negative effect on LUDWIG BECK's asset, financial, and earnings situation.

Risk of terrorism (class B)

In the wake of Islamist terror attacks in Brussels, Nice, Berlin, and other cities in Europe and worldwide, this risk will remain factual in the foreseeable future. As evidenced by the terrorist warning on New Year's Eve 2015, the open-minded city of Munich is also a potential target of attacks. The potential consequences of such a threat to German society for the overall economic situation are difficult to assess. Not only real threats but also putative dangers may cause customers to avoid bustling places and the centres of cities. In case of an actual terror alert, or immediately after a real terrorist attack someplace else, the flagship store at Marienplatz could be affected by the absence of regular customers and tourists, at least for a while. On account of the mere existence of this type of risk, and anxious population and people impelled to change their plans may well become significant factors to take into consideration.

Weather risks (class B)

The world-wide climatic change is one of the fundamental risks of a retail textile business. Summers are too cool and damp, winters too mild or extremely cold. Temperatures show anti-cyclical patterns; the macro weather situation is unpredictable. This uncertainty thwarts the consumers' propensity to buy. The familiar rules regarding desired shopping goods for a season are interrupted. A rainy summer has a negative impact on the swim fashion collection. A mild winter curbs the demand for winter wear such as coats, gloves, and hats. The past financial years were examples of the damage a sequence of unpredictable weather conditions can wreak on the entire German fashion sector.

Accessibility risk (class B)

The central location of the flagship store at Marienplatz relies to a great extent on accessibility via the public transport system. Public service strikes or interruptions of the local transportation networks can, therefore, hamper or even prevent the unobstructed transportation of customers to the city centre. Thus, there is a risk of reduced sales if a normal business in the following days cannot compensate for the loss. Obstructions by public renovation work in close proximity that may occur in connection with the construction of a second subway tunnel that was started in 2017, also count as accessibility risks.

2. Sector risks

Online competition risks (class B)

Possible additional online vendors in the same sector can entail the risk of exacerbated competition in the segments LUDWIG BECK is operating in. A broader range of online vendors could create a situation of multiple choices for stationary customers

in regard to identical or similar products, due to the rising appeal, higher service quality, and, if nothing else, enticing pricing of web portals. The Group recognises this risk and is countering it with its own online shop. In its brick-and-mortar stores, the group offers its customers a unique shopping experience with its second-to-none product presentation.

Risks through consumer behaviour (class C)

Altered consumer behaviour or a changing competitive situation in retail, triggered by the general economic situation, commercial framework conditions, and income trends, require a constant realignment of the marketing concepts to meet the needs of customers in terms of product selection and service.

The corporate policy orientation is not least based on targeted market observation and an analysis of the competitive situation, trends in consumer behaviour as well as particular behavioural patterns of the relevant target groups. As a vendor of an exclusive product portfolio, LUDWIG BECK is a trendsetter and forerunner with the ability to influence the shopping behaviour of the target group to its own benefits.

With a precise positioning and strategy, LUDWIG BECK uses all opportunities resulting from this permanently changing market. High-quality service and depth of product ranges allow the company to benefit from niches in the specialist store segment.

Seasonal risks (class C)

As goods are purchased much earlier than seasonal and sales peaks occur, this causes outflows of cash at times during which there are not necessarily corresponding sale revenue/inflows of liquid funds. These cash flow fluctuation risks are monitored and controlled through financial management using a variety of cash management tools.

3. Economic performance risks

Supplier risks (Class C)

As a textiles retail company, LUDWIG BECK is dependent on reliable external suppliers. This causes various risk factors, such as disruptions in the procurement of goods, breaches of quality, safety, and social standards, ethical doubts, or environmental abuse. LUDWIG BECK carefully selects its suppliers to ensure that the products desired by the customer are of high quality and in sufficient quantity. This is continuously checked. Due to a large number of cooperations in place, there is no dependency on a single cooperation partner.

Logistic risks (class C)

Any interruption of the chain of value creation at the level of product supply directly impacts the availability of the products offered by LUDWIG BECK. The broad spectrum of the product selection is vulnerable to risks that may threaten the inventory as a whole. This holds true for the brick-and-mortar business as well as the online shop. For this reason, LUDWIG BECK diligently observes the existing supply structures and takes corrective action if necessary.

4. Financial risks

Financial risks (class B)

As a result of the public debt crisis in European countries, with still no end in sight, currently unforeseeable difficulties or reluctance of banks to grant loans may arise for industry and commerce. In case of a further exacerbation, this could lead to liquidity constraints as the banking sector is already under pressure. The financial and economic effects of the British Brexit decision, the threat of punitive tariffs for German companies or the European Central Bank's forced low interest rate policy are also uncertain and must be considered a risk.

The LUDWIG BECK Group operates a central financial risk management system to identify, measure, and control financial risks. A financial resources balancing system between the various businesses in the Group means that short-term excess liquidity from one can be used to finance the capital needs of another. This internal clearing system helps reduce the amount of external finance required and optimize cash deposits, thus positively affecting the interest result of the individual company and the Group as a whole.

LUDWIG BECK's open and up-to-date information policy and equal treatment of all lenders is the basis for the trust which creditors have in the company and thus for their willingness to provide credit lines. Loans are spread between several lenders to minimize risks of concentration. The company's solid equity position, its current cash flows, and the available bank loans form the basis for the company's long-term financing. Interest risks are controlled through the mix of loan periods and fixed and variable interest positions. In order to cover future capital requirements, the financial management team also regularly checks alternative financing opportunities.

Risk of bad debt (class C)

Currently, the Group is exposed to the risk of bad debt to only a relatively limited extent. The credit card providers mainly bear the risks resulting from credit card payments. The monitoring of EC-card payments is outsourced to an external service provider. Risks in cash payment transactions are low due to implemented control mechanisms.

Liquidity risk (class C)

Liquidity risk is the result of insufficient available funds to meet financial obligations in due time. LUDWIG BECK has such obligations, particularly for the repayment of financial liabilities. The LUDWIG BECK Group constantly monitors and plans its liquidity. The Group companies regularly have liquid funds available to be able to meet their current payment obligations. Furthermore, short-term lines of credit and overdraft facilities can be called upon. These are based on solid financing. The Group has a strong operative cash flow, considerable liquid funds, and unutilised lines of credit. Because of the effects of the COVID-19 pandemic, the operating cash flow was considerably negatively affected. To cushion the negative consequences of the pandemic and to secure liquidity, LUDWIG BECK AG secured a medium-term LfA loan in the fiscal year. Forward-looking liquidity planning ensures that LUDWIG BECK is always solvent.

5. Other risks**IT risks (class B)**

IT risks mainly concern the requirement for the no-fail availability of the cash register and computer systems, including the necessary IT network, as well as the integrity of data in connection with potential external attacks on the IT systems. The quality and security of processes in the field of data processing are guaranteed by a combination of external and internal services. An effective IT management ensures that the company's IT systems are permanently available and that measures to protect the system from external attacks are taken. Due to the growing importance of this area, management has signed a cyber insurance contract to protect the Group in case of an emergency.

Personnel risks (class C)

Employees are one of the most decisive factors of success. Alongside the creation of a positive work environment, our human resources activities focus on providing training and advanced training measures and developing junior managers. The development of staff, in combination with the application of our management principles, reduces the risk of personnel fluctuations, and ensures the high standard of qualification and service orientation of our employees.

Legal and tax risks (class C)

LUDWIG BECK is exposed to legal and tax risks through possible breaches of legal provisions. Therefore, the monitoring of the current legal position, along with upcoming legislative amendments, is kept within the focus of the companies. External legal advisers are employed to help minimize this risk and to make the adjustments necessitated by the everchanging legal position on a regular basis.

To the best of the companies' knowledge, it is not currently facing, nor expecting, legal proceedings or arbitration which might have an impact on the economic situation of LUDWIG BECK. As a result, no impact on business development is expected.

The company has sufficient insurance cover for risks from damages and liability claims, whose requirements and conditions are subject to continual assessment both internally and externally.

Compliance risks (class C)

For an internationally active business, complying with a multitude of legal systems and regulations requires a high degree of attention and the integrity of employees in every position. Compliance risks can result from corruption when dealing with authorities, breaches of data protection rules, or non-observance of labour laws. In order to practically rule out infringements, LUDWIG BECK thoroughly educates their staff and ensures vigilant compliance awareness. To support and minimise risks, LUDWIG BECK has additionally appointed an external compliance officer.

6. Overall risk evaluation

The management of the LUDWIG BECK Group currently considers the aforementioned risks to be generally controllable. Apart from the risk of a pandemic, there are currently no risks that could threaten the company's existence. On the other hand, there is still a variety of opportunities available, the Executive Board intends to utilise growth and earnings-stimulating potentials. These include, last but not least, the ownership of the real estate at Marienplatz in Munich, one of the most sought after retail locations in Europe.

LUDWIG BECK bears all entrepreneurial risks concerning the company's core and supporting processes, but only if they are controllable and the required effort contributes to the Group's increase in value. This category includes strategic models, decisions about new areas of enterprise, or the purchasing and selling of products. Beyond that, LUDWIG BECK generally does not take risks.

Should the COVID-19 pandemic continue with further restrictions or even an additional lockdown in 2021, LUDWIG BECK could find itself in a situation that could endanger the substance of the company.

OPPORTUNITIES REPORT

Even though the current fiscal year 2021 has already started with a lockdown, it offers LUDWIG BECK the opportunity for a successful business development. Assuming that the pandemic can be controlled by vaccinations in the course of the year and no additional lockdown is to be expected, LUDWIG BECK will generate considerably more sales opportunities than in the previous year. Moreover, with a rise in tourism and a normal Christmas business, significantly higher earnings will be achieved.

Moreover, LUDWIG BECK will continue to expand its online offer and grow in the fashion online segment in particular. Growth will be driven, among other things, by a high spending propensity of consumers. Despite the structural changes in the fashion trade, LUDWIG BECK can seize the opportunities for growth in its online segment. In addition, LUDWIG BECK will focus on its 160th anniversary in 2021 and will draw attention to its top-selling flagship store at Marienplatz in Munich with marketing activities. Opportunities arise from the permanent optimisation of service competence and a strong focus on assortments, brands, and co-operations. The magical shopping experience in the "Store of the Senses" is based on a unique sales atmosphere, which is unmatched by stationary and virtual competition in Germany. LUDWIG BECK's customer loyalty programme, which was launched in 2020 also offers opportunities. The Ludwig Beck Card can significantly strengthen, broaden, and increase customer loyalty. Customers benefit from individual and attractive offerings. This increases the spending propensity of Ludwig Beck Card holders.

V. Internal Control and Risk Management System

LUDWIG BECK has established a system of internal controls to secure proper accounting in compliance with legal requirements. LUDWIG BECK's accounting procedures are governed by standardized guidelines and rules, as well as a clearly defined course of action. To this effect, uniform accounting parameters and booking directions for various business transactions were established. Another control tool is the clear allocation of functions regarding various accounting processes. Accounting relevant items are mainly recorded on an automated basis.

For Group accounting purposes, all book-keeping data of the consolidated companies can be assessed. To survey compliance with applicable rules, LUDWIG BECK relies on process-integrated monitoring systems. LUDWIG BECK divided these systems into ongoing automated control mechanisms, like separation of functions and restricted access to certain sets of books for unauthorized personnel, and controls integrated into work processes which are secured through automated bookings, permanently stored codes, automated booking procedures and the recording of the entire sales process (cash register systems).

The accounting-related risk management system of LUDWIG BECK is set up in a way that the risks of misrepresentation, which mainly ensue from new business processes or amendments to legal provisions, are constantly monitored. These risks are contained by transferring decisions on accounting-related data resulting from unusual business transactions to the management level. Ongoing training regarding changes to the applicable accounting provisions is provided to the management. External providers carry out up-to-date training in the basic principles set out in the literature. In case of doubt, external consultants are called in for the implementation of changes and their integration into existing processes.

VI. Forecast Report

GLOBAL ECONOMY, GERMAN ECONOMY, AND LUDWIG BECK IN UNCERTAIN CONDITIONS

Due to the COVID-19 pandemic, the still unpredictable course of infection and its consequences for the global economy, the German economy, the retail trade and LUDWIG BECK, in particular, it is not possible to forecast further negative effects on the economy.

Given the renewed lockdown in mid-December 2020 and the uncertainty about further development, the management cannot provide a serious forecast on sales and earnings for the fiscal year 2021 at this point. It cannot be estimated how strongly the

sales and earnings situation of LUDWIG BECK will be affected by the ongoing pandemic situation. The closure of the brick-and-mortar stores, the absence of customers, especially tourists, supplier bottlenecks and possible additional administrative actions may continue to adversely impact the fiscal year 2021.

News indicates that the first easing of the restrictions could be expected from March 7, 2021, onwards. The Executive Board believes that the pandemic situation will only ease markedly after a nationwide vaccination and that a return to normal business will then be possible.

VII. Supplementary Details

1. DETAILS ACCORDING TO SECTION 315A PAR. 1 COMMERCIAL CODE (HGB)

Composition of subscribed capital

The subscribed capital (share capital) of LUDWIG BECK is divided into 3,695,000 no-par shares (ordinary shares). The no-par shares are issued to bearer. The nominal value of each capital share is € 2.56 per no-par share. Direct and indirect capital holdings that represent more than ten in a hundred of the voting rights are listed below.

Direct and indirect holdings

The listed companies and individuals directly or indirectly hold more than ten in a hundred of the voting rights at LUDWIG BECK at the time of the preparation of the annual financial statements:

- Hans Rudolf Wöhrle Verwaltungs GmbH, Reichenschwand, 25.7% (direct)
- INTRO-Verwaltungs GmbH, Reichenschwand, 25.2% (direct)
- Hans Rudolf Wöhrle Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, 25.7% (indirect)
- Hans Rudolf Wöhrle Beteiligungs GmbH, Reichenschwand, 25.7% (indirect)
- Mr. Hans Rudolf Wöhrle, Germany, 50.9% (indirect)
- BG Heppenheim Grundstücks GmbH, Grasbrunn, 24.0% (direct)
- Mr. Alfons Dobltinger, Germany, 24.38% (direct and indirect)

Legal provisions and terms of the articles of association concerning the appointment and removal of members of the Executive Board as well as amendments to the articles of association

According to the articles of association and the relevant legal provisions, the members of the Executive Board are appointed and dismissed by the Supervisory Board. The number of members is determined by the Supervisory Board. In accordance with the resolution of the Annual General Meeting of June 3, 2019, the Executive Board shall consist of at least one person. Any amendment to the Articles of Association requires a resolution of the Annual General Meeting (Section 179 Par. 1 Joint Stock Corporation Act (AktG)).

According to Section 16, Par. 3 of the articles of association, the resolution of the Annual General Meeting requires a simple majority of the votes cast or, as the case may be, in addition, a simple majority of the represented share capital, unless a more substantial majority or further prerequisites are stipulated by law or the articles of association. This is the case for resolutions on changes to the nature and purpose of the business or capital measures excluding shareholders' subscription rights. According to Section 12 Par. 2 of the articles of association, the Supervisory Board is authorized to implement changes to the articles of association, which only concern the wording.

Further details according to Section 315a Par. 1 Commercial Code (HGB)

Since the provisions of Section 315a Par. 14 No. 2, No. 4, No. 5, No. 8, and No. 9 Commercial Code (HGB) do not apply. No details have to be provided.

2. DETAILS ACCORDING TO SECTION 312 JOINT STOCK CORPORATION ACT (AktG) (DEPENDENCY REPORT)

Since no control and profit transfer agreement was concluded with the principal shareholder, the Executive Board of LUDWIG BECK was obligated to prepare a report about relations to associated companies pursuant to Section 312 Par. 3 Joint Stock Corporation Act (AktG). The Dependency Report contains the following conclusive statement:

„According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable compensation in each individual case and did not suffer any disadvantage as a result of measures taken or not taken.“

3. CONSOLIDATED DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO SECTION 315D COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance, according to § 289f HGB and § 315d HGB, has been made publicly available on the company's website in the section Corporate Governance under the menu item Declaration on Corporate Governance.

Munich, February 19, 2021

The Executive Board

Christian Greiner

Jens Schott

4 Additional *Information*

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Corporate Affidavit

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit and loss situation of the Group. The Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.”

Munich, February 26, 2021

Christian Greiner

Jens Schott

Independent Auditor's Report

To LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft

VERMERK ÜBER DIE PRÜFUNG DES KONZERNABSCHLUSSES UND DES KONZERNLAGEBERICHTS

AUDITOR'S OPINIONS

We have audited the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft and its subsidiaries (the Group) – comprising the Consolidated Balance Sheet as per December 31, 2020, the Consolidated Statement of Comprehensive Income, the Consolidated Equity Statement and the Consolidated Cash Flow Statement for the Fiscal Year from January 1 to December 31, 2020 together with the Consolidated Notes, including a summary of significant accounting methods. Furthermore, we have audited the Consolidated Management Report of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2020.

According to our assessment based on the findings of our audit

- the attached Consolidated Financial Statements comply with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and, with due regard to these provisions, give a true and fair view of the assets and financial situation of the Group as per December 31, 2020 and the Group's earnings position for the Fiscal Year from January 1 to December 31, 2020 and
- the attached Consolidated Management Report, as a whole, provides a suitable view of the Group's position. The Consolidated Management Report is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and accurately represents the opportunities and risks of future development.

In accordance with section 322 par. 3, sentence 1 Commercial Code (HGB) we declare that our audit has not revealed any grounds for objections against the regularity of the Consolidated Financial Statements or the Consolidated Management Report.

GROUNDINGS FOR OUR AUDIT OPINIONS

We conducted our audit of the Consolidated Financial Statements and the Consolidated Management Report pursuant to section 317 Commercial Code (HGB) and the EU Audit Regulations (No. 537/2014; hereinafter referred to as "EU AudReg") and with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these provisions and principles is set out in more detail in the "Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Consolidated Management Report" section of our Auditor's Report. We are independent of the Group companies within the meaning of European and German provisions of commercial and professional law and have complied with our other professional duties under German law and the foregoing requirements. Furthermore, we declare in accordance with article 10 par. 2 lit. f) EU AudReg that we didn't render any prohibited non-audit services according to article 5 par. 1 EU AudReg. We believe that the audit evidence obtained forms a sufficient and appropriate basis for our audit opinions on the Consolidated Financial Statements and the Consolidated Management Report.

PARTICULARLY SIGNIFICANT FACTUAL MATTERS RELEVANT FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly significant factual matters relevant to the audit are factual matters that, at our reasonable discretion, have been the most important ones for the audit of the Consolidated Financial Statements for the Fiscal Year from January 1 to December 31, 2019. These factual matters were taken into consideration in connection with our audit of the overall Consolidated Financial Statements and the formation of our relevant audit opinion. We do not provide any separate opinion on these factual matters.

Revenue Recognition

Reasons for consideration as particularly significant factual matter: In accordance with IDW PS 261 Tz 67, the auditor must always anticipate that risks of material misstatement may lie in the realisation of sales and that these risks must be treated as significant risks.

Audit approach: Within the scope of our audit, we have assessed the design of the accounting-related internal controls in the area of sales/revenue from sales of goods and examined their effectiveness on a test basis. In particular, we have examined the interface between the cash register system and the financial accounting system and have understood the system for recording incoming payments and their reconciliation with the sales of goods. Furthermore, we reviewed the sales revenue accounts for possible manual sales revenue postings.

Due to LUDWIG BECK's business model, which involves the sale of merchandise against cash or card payment via a POS system connected to the financial accounting system, and the internal processes and controls established in the area of sales/revenue of goods, we do not consider the risk of material misstatement of revenue recognition to be significant after our audit. Our audit did not give rise to any objections with regard to revenue recognition.

Reference to pertinent information: The revenue recognition principles applied by LUDWIG BECK are described in the Notes to the Consolidated Financial Statements in section B. IV. 13. "Accounting principles and valuation methods - Revenue recognition". The internal control system is explained in section V. "Internal Control and Risk Management System" of the Consolidated Management Report.

Valuation of merchandise

Reasons for consideration as particularly significant factual matter: Merchandise is reported at cost less deductions for old stock and goods of reduced saleability (fashion risk) as well as granted discounts. Furthermore, as of December 31, 2020, a special discount was applied for the first time to goods from the current autumn/winter season, as the remaining stocks could not or cannot be sold as planned due to the current lockdown. In our view, this valuation approach qualifies as particularly significant, audit-relevant factual matter, as the determination of the relevant deductions requires discretionary decisions, estimations and assumption in regard to the price reductions that will actually be granted on inventories in the following year, as well as of the selling costs that will be incurred until the sale of the goods.

Audit approach: Within the scope of our audit we assessed the structuring of the accounting-related internal control system in the merchandise management area and valued its efficiency by random checking. Building on that, we retraced the deductions made using risk-oriented, selected samples for retrograde valuation. Furthermore, we reviewed the deductions for plausibility on the basis of the price reductions granted in the time after the reporting date. We also checked the plausibility of the assumptions underlying the special discount.

Our audit activities did not give rise to any objections regarding the valuation of merchandise.

Reference to pertinent information: As regards the accounting principles applied by LUDWIG BECK to the reporting of merchandise we refer to "Accounting and valuation methods – inventories" in chapter B. IV. 6., and to "Explanations to individual items of the Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income – Consolidated Balance Sheet – inventories" in chapter C. I. (3) of the Consolidated Notes.

OTHER INFORMATION

The legal representatives are responsible for the following other information we expect to be submitted to us after the date of our Auditor's Report:

- Group Statement on Corporate Governance pursuant section 315d par. 1 Commercial Code (HGB); LUDWIG BECK prepares a combined Declaration and Group Declaration on Corporate Governance, that according to section 315d sentence 2 together with section 289f par. 1 sentence 2 Commercial Code (HGB) will be published on the corporate website,
- Corporate Governance Report according to No. 3.10 of the German Corporate Governance Code,
- Declaration according to sections 297 par. 2, sentence 4 and 315 par. 1, sentence 5 Commercial Code (HGB) and
- The remaining parts of the Annual Report for the Fiscal Year 2020 with the exception of the audited Consolidated Financial Statements, the Consolidated Management Report and our pertinent Auditor's Report.

The Supervisory Board is responsible for the following information we expect to be provided to us after the date of this Auditor's Report:

- Supervisory Board's Report.

Our audit opinions regarding the Consolidated Financial Statements and the Consolidated Management Report do not extend to other information. Accordingly, we neither give any audit opinion nor draw any other audit conclusion with regard thereto.

In the context of our audit, it is our responsibility to read the other information and to assess whether the other information

- contains significant inconsistencies regarding the Consolidated Financial Statements, the Consolidated Management Report or our audit findings or
- was otherwise gravely misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the Consolidated Financial Statements in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and for ensuring that, with due regard to these provisions, they convey an accurate and fair picture of the Group's assets, financial and earnings situation. Furthermore, the legal representatives are answerable for the internal controls they consider essential in order to facilitate the preparation of the Consolidated Financial Statements free of significant – intentional or inadvertent – misrepresentations.

With regard to compiling the Consolidated Financial Statements, the legal representatives are also obligated to assess the Group's ability to continue as a going concern. The legal representatives are also requested to present factual matters that are relevant to the continuation as a going concern. Furthermore, it is their responsibility to base their accounting on the accounting principle of going concern unless they intend to liquidate the Group or discontinue operations or have no viable alternative.

The legal representatives are also responsible for ensuring that the Consolidated Management Report prepared by them basically conveys an accurate picture of the Group's situation, is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development. Furthermore, the legal representatives are answerable for all precautions and measures (systems) they consider essential in order to facilitate the preparation of the Consolidated Management Report in compliance with the applicable provisions of German law and to provide sufficient and appropriate evidence for the statements contained in the Consolidated Management Report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process as applied to the preparation of the Consolidated Financial Statements and the Consolidated Management Report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

It is our objective to attain a sufficient level of assurance as to whether the Consolidated Financial Statements as a whole are free of – intentional or inadvertent – misrepresentations and the Consolidated Management Report basically gives an accurate view of the Group's situation, is consistent with the Consolidated Financial Statements and the audit findings in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development, and to provide an Auditor's Report that reflects our audit opinions concerning the Consolidated Financial Statements and the Consolidated Management Report.

Sufficient assurance means a high level of assurance, yet no guarantee that an audit carried out in accordance with section 317 Commercial Code (HGB) and EU AudReg, with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect significant misrepresentations. Misrepresentations may result from infringements or inaccuracies. They are considered significant if they can be reasonably

expected to influence the economic decisions, individually or generally, taken by the recipients on the basis of these Consolidated Financial Statements and this Consolidated Management Report.

With regard to our audit we exercise due discretion and maintain a critical stance. Furthermore, we

- identify and assess the risks of significant – intentional or inadvertent – misrepresentations in the Consolidated Financial Statements and the Consolidated Management Report, plan and carry out audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinions. The risks of significant misrepresentations remaining undetected is higher in case of infringements than they are in case of inaccuracies, as infringements may include fraudulent collaboration, forgeries, inadvertent incompleteness, misleading representations or circumvention of internal controls.
- gain an understanding of the internal control systems relevant to the audit of the Consolidated Financial Statements and the precautions and measures relevant to the audit of the Consolidated Management Report in order to be able to plan audit actions that are appropriate under the given circumstances while at the same time refraining from giving an audit opinion on the efficiency of the company's systems.
- evaluate the appropriateness of the accounting processes applied by the legal representatives as well as the tenability of the estimated values and pertinent information provided by the legal representatives.
- draw conclusions on the adequateness of the accounting principle of going concern as applied by the legal representatives, as well as on the question as to whether, based on the audit evidence obtained, there is any significant uncertainty in connection with events or circumstances that give rise to reasonable doubt about the Group's ability to continue as a going concern. If we arrive at the conclusion that there is a significant uncertainty, we are obligated to draw attention to the pertinent information contained in the Consolidated Financial Statements and the Consolidated Management Report in our Auditor's Report, or if this information is inappropriate, to qualify our audit opinion. We draw our conclusions based on the audit evidence obtained until the date of our Auditor's Report. Future events or circumstances may, however, lead to a situation where the Group is no longer able to continue as a going concern.
- assess the overall representation, layout and contents of the Consolidated Financial Statements including pertinent information, and evaluate whether the Consolidated Financial Statements reflect the transactions and events they are based on in a way that the Consolidated Financial Statements convey a fair and accurate picture of the Group's assets, financial and earnings situation, in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law.
- obtain sufficient and appropriate audit evidence for the companies' accounting details and intergroup transactions in order to give audit opinions on the Consolidated Financial Statements and the Consolidated Management Report. We are responsible for the derivation, monitoring and performance of the audit of the Consolidated Financial Statements. We have sole responsibility for our audit opinions.
- evaluate the Consolidated Management Report's consistency with the Consolidated Financial Statements, its legality and the picture of the Group's situation it conveys.
- perform audit activities with regard to the future-oriented information given by the legal representatives in the Consolidated Management Report. On the basis of sufficient and appropriate audit evidence we particularly retrace the significant assumptions the legal representatives based their future-oriented information on, and evaluate the proper derivation of the future-oriented information from these basic assumptions. We do not give any separate audit opinion on this future-oriented information or these basic assumptions. There is a considerable risk that future events may differ materially from this future-oriented information.

Among other, we discuss with the persons responsible for monitoring about the planned scope of and the time planning for the audit as well as significant audit findings, including possible shortcomings of the internal control system, which we detect in the course of our audit.

We declare vis-à-vis the persons responsible for monitoring that we have complied with the relevant requirements of independence, and explain to them all relations and other circumstances that can reasonably be expected to have an effect on our independence, as well as the safeguards applied with regard thereto.

From all factual matters discussed with the persons responsible for monitoring we select those factual matters that were most significant for the audit of the Consolidated Financial Statements for the current reporting period and therefore qualify as particularly significant factual matters. We relate these factual matters in our auditor's report unless statutory or other legal provisions preclude publication of the relevant data.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

*REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT PREPARED FOR THE PURPOSE OF DISCLOSURE PURSUANT TO SECTION 317 PAR. 3B HGB**Audit opinion*

Pursuant to section 317 par. 3b HGB, we have performed an audit with a sufficient level of assurance as to whether the reproductions of the consolidated financial statements and the consolidated management report (hereinafter also referred to as "ESEF documents") contained in the attached file ludwigbeck_187697.zip (hash value SHA256 65334AF9AFC4A2236686E2F89DA2F5EFA6CE5088115F5EAF4813D4319F2064A5) and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 par. 1 HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the consolidated management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the consolidated management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of section 328 par. 1 HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying consolidated management report for the financial year from January 1 to December 31, 2020 contained in the preceding "Report on the audit of the consolidated financial statements and the consolidated management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the consolidated management report contained in the above-mentioned attached file in accordance with section 317 par. 3b HGB and in compliance with the *draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to section 317 par. 3b HGB (IDW EPS 410)*. Our responsibility thereunder is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: *Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)*.

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the consolidated management report in accordance with section 328 par. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives of the Company are responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 par. 1 HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited consolidated management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 par. 1 HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material non-compliance with the requirements of section 328 par. 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;
- obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls;
- assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification for that file;
- assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited consolidated management report;
- assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

ADDITIONAL STATUTORY AND LEGAL REQUIREMENTS

OTHER INFORMATION ACCORDING TO ARTICLE 10 EU-APRVO

We were appointed as auditors by the Annual General Meeting held on July 28, 2020. We were engaged by the Supervisory Board on December 1, 2020. We have acted as auditors for the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft, Munich, since the Fiscal Year 2009 without interruptions.

We declare that the audit opinions contained in our Auditor's Report are consistent with the Supplementary Report to the Supervisory Board pursuant to article 11 EU AudReg (Auditor's Report).

RESPONSIBLE AUDITOR

The responsible auditor for this audit is Mr. Peter Häussermann.

Munich, March 17, 2021

BTU TREUHAND GmbH

Wirtschaftsprüfungsgesellschaft

Clemens Dornseifer

Public Auditor

Peter Häussermann

Public Auditor

Financial Calendar

Publication of the Annual Report 2020	March 24, 2021
Analyst Conference for the Annual Report 2020 (virtual, Munich)	March 25, 2021
Interim Notification for the First Quarter 2021	April 22, 2021
Annual Shareholders' Meeting 2021 (virtual, Munich)	May 17, 2021
Interim Report for the Second Quarter and the First Half 2021	July 22, 2021
Interim Notification for the Third Quarter 2021 and the Nine Months 2021	October 21, 2021

Imprint & Contact

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More information about LUDWIG BECK is available at <https://kaufhaus.ludwigbeck.de/en/home>.
Sign up there for our financial newsletter and receive all information promptly and comprehensively!